

1981

Financial Analysis of the Motor Carrier Industry

CITIBANK

Florence W. Liddell

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Donald Tender



Walter F. Carey

Message from ATA

The 1981 report marks the 30th consecutive year ATA has been publishing the *Financial Analysis of the Motor Carrier Industry*. This period has been one of great growth and accomplishment in the trucking industry. The annual Analysis has become a valuable contribution to the financial community by broadening its information and depth of understanding of the motor carrier industry. This has enabled trucking executives to enlarge their access to credit facilities so necessary to proper business growth and investment.

Our purpose in publishing these reports always has been a desire to stimulate interest by the financial community in the motor carrier industry; that interest has grown—to a very gratifying degree. The report also serves those interested in transportation, and the economy in general. The economic situation in the motor carrier industry is a true reflection of the overall economic picture.

Motor carrier profits were down in 1980 reflecting the pattern of the general economy. The economy continues uncertain in 1981 and this, of course, will be reflected in the trucking industry. A healthy trucking industry will assist the general recovery of business in the months ahead as the nation looks toward an economic expansion.

Through the years, financial and banking interests studying the trucking industry have shown a greater insight into the true nature of trucking in the economy—not only as an industry that moves the majority of the goods in America, but as an industry which employs millions of people and is, in itself, a major consumer. The annual purchases of vehicles, tractors and trailer components, tires, fuel, glass, paints, materials handling equipment, computer and communication networks and a wide range of goods and services necessary to keep trucks serving the nation make a significant contribution to the Gross National Product. In addition, the trucking industry

is a sizeable contributor through various taxes to the building and maintenance of the highways of the United States.

As in the past, the report reviews the financial results of Class I and II motor carriers of general commodities and special commodity carriers with annual revenues over one million dollars for the previous calendar year, in this case 1980.

The author of this year's Analysis, Florence W. Liddell, Vice President, Citibank, N.A., is well qualified to interpret the trucking industry's financial data and we appreciate the talent and dedication she has brought to this assignment.

A review by a security analyst specialized in the industry supplements the banker's Analysis. This review reflects on the performance of the industry's publicly held companies in 1980 and early 1981 with observations on future performance. We wish to thank Richard Fischer, Vice President and Senior Industry Specialist with Merrill, Lynch, Pierce, Fenner and Smith, Inc. who prepared this supplement.

We appreciate the role of Union 76 Division of the Union Oil Company of California in publishing the Analysis as its ATA Foundation project.

Donald Tender
Managing Director and Controller
Finance Division
American Trucking Associations, Inc.

Message from ATA Foundation

A person does not have to be a trained economist to realize that the United States is suffering a severe economic problem. Anyone in the trucking industry is well aware of this.

As the industry adjusts to regulatory changes and also copes with sluggish

business activity, it is increasingly important that trucking industry executives and others have accurate information and data on which to base decisions affecting trucking service to the nation and the profitability of their companies.

Just as management of human resources is essential to the success of a corporation, so too, the management of information is of equal importance.

This "Financial Analysis of the Motor Carrier Industry" assembles information in a form that is not found anywhere else. It brings together data, as well as the experienced opinion of a leading banker as well as a noted security analyst. Between the covers of this publication is contained information to enable members of the motor carrier industry to better plan for productivity improvements and profitability as well as information that assists the financial community and others to understand the trucking industry.

The trucking industry has always been a sensitive barometer of the nation's economic health, and just as the trucking industry data can signal a downturn in the economy—so too can it forecast advances in the economy.

For that reason, the industry is most grateful to the Union 76 Division, Union Oil Company of California for sponsoring publication of this report as their ATA Foundation project.

Walter F. Carey
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ATA Foundation

Assistant to the President
T.I.M.E.-D.C.

Past Chairman
American Trucking Associations, Inc.

Past President
Chamber of Commerce
of the United States



William S. McConnor

Message from Union Oil Company of California

The United States is still dependent on oil imports and we should not take on a false sense of security and be misled into believing there is an "oil glut."

The international oil system is a very fragile structure, one subject to severe stress from a number of sources. The Iraq-Iran war; international terrorism; political or diplomatic blackmail—any of which could cause a disruption in the availability of petroleum to the Free World.

Americans should be both cautious and confident about the future. We should be cautious because we are still importing about 35 percent of our oil and it will take a lot of effort to reduce that dependence substantially. But we should be confident too, because the progress we have made in the last year and a half shows that increased energy security is attainable.

Market pricing on U.S. energy unquestionably has been the sharpest stimulant for both conservation and production so far. The market does work. It is the most efficient creator and allocator of goods and services in the economy. It insures, as no government can, that scarce resources are conserved and that every effort is made to make more available.

A controversial and complex energy issue with which the Reagan Administration and the 97th Congress still must deal is access to U.S. energy resources. With energy prices rising to reflect the true value and replacement cost of these

minerals, there are plenty of incentives to find and develop energy. Unfortunately, many of the most promising areas are closed because of presumed environmental or safety risks in energy development.

Congress will review the Clean Air Act within a year. The Reagan Administration has committed itself to changing or eliminating counterproductive or unnecessary government regulations. We need more flexibility and a better balance between energy and environmental goals to maximize our domestic energy exploration and production.

The U.S. has sizable resources of oil, natural gas, oil shale, coal and uranium. Our future economic and political well-being depends upon our ability to develop these domestic resources. These alternatives will not be developed unless our new Administration deals successfully with the major obstacle to increasing the supply of domestic energy—the "lock up" of Federal lands.

These lands hold great promise for increasing the nation's supply of energy, yet about two-thirds of them are formally closed or restricted to mineral operations.

Increased exploration and development of the most promising Federal lands can be compatible with environmental protection and is essential to this nation's well-being. This approach will give us the breathing room that we need to develop our alternative energies such as shale, nuclear, solar, hydrogen, coal liquids and other nontraditional forms to reduce our reliance on imports.

One of the most important elements to help us solve our energy problem is energy conservation, or energy efficiency as we prefer to term it. This allows all

Americans the opportunity to be more productive with the energy we use.

The trucking industry should be commended once again for its efforts in fuel conservation. The trucking industry's activities and voluntary conservation programs have helped significantly in an estimated 5% consumption decline in diesel fuel usage for 1980.

As I have mentioned, with market pricing, the follow-through of the Reagan Administration's commitment to eliminate counterproductive or unnecessary government regulations, and effective conservation programs such as yours, we can resolve our energy problems. With the help of all Americans, business and government working together, we can achieve energy independence in the 1980's.

William S. McConnor
Senior Vice President
Union Oil Company of California
and President, Union 76 Division



From left to right
Mary Lynn McCaffery, Florence W. Liddell
and Elizabeth Adam

The Authors

Citibank, N.A. is pleased to present the 1981 Financial Analysis of the Motor Carrier Industry, prepared by Florence Wofford Liddell, Vice President. A 1967 graduate of Converse College, Mrs. Liddell received her Masters degrees from both Middlebury College and Duke University prior to joining Citibank in 1972. After four years with the bank's Asia Pacific Division, she joined the Surface Transportation Department where she was actively involved in motor carrier financing. She is currently a Vice President Team Leader in Citibank's Professional Account Manager Training program. She was assisted in the project by Mary Lynn McCaffery and Elizabeth Adam. Ms. McCaffery is an Assistant Vice President in the North American Banking Group. Ms. Adam is a Certified Public Accountant and a Regional Credit Officer for the Financial Information Services Group.

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The information contained in this report is believed to be accurate; however, Citibank, N.A. is not responsible for any errors contained herein. The views of the security analyst are his own and do not necessarily reflect the views of Citibank. Citibank welcomes your comments and inquiries.

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General State of the Industry: A Review of 1980

General U.S. economic activity has a direct effect on trucking tonnage and the health of the trucking industry. During 1980, tonnage moved in line with both retail sales and industrial production; however, truck tonnage's decline in mid-1980 was steeper than it had been in past recessions. In the following section, some of the factors underlying this decline are examined.

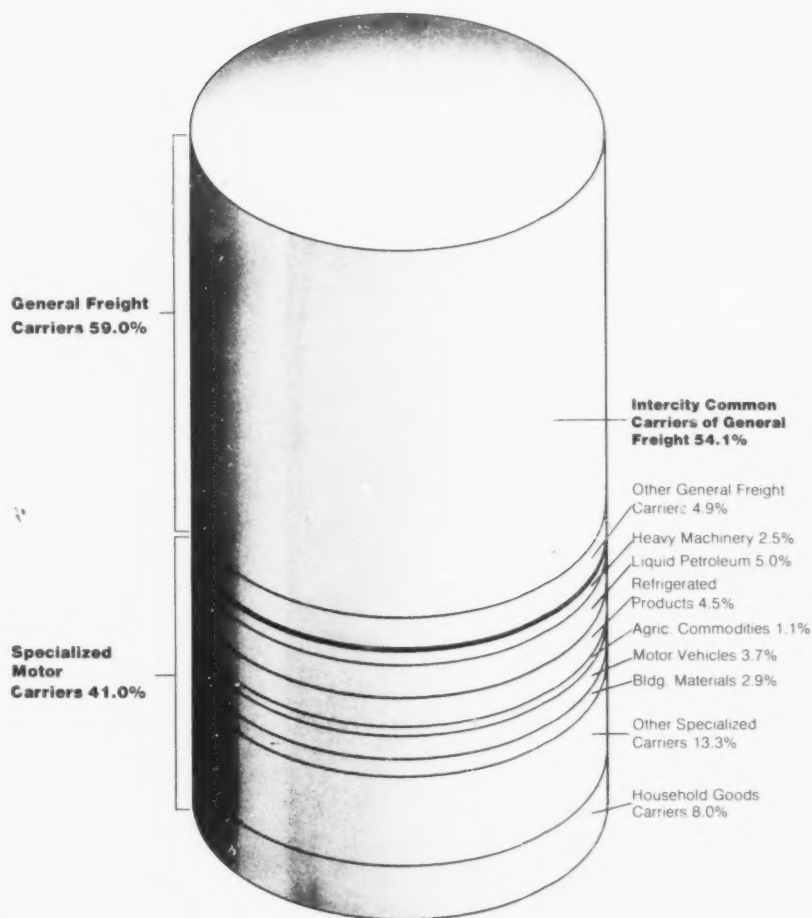
The U.S. economy had a turbulent year in 1980. The first quarter of 1980 ended the expansionary period that began in 1975. Real GNP declined 9.9% at an annual rate in the second quarter. This was the steepest single-quarter decline in postwar history; however, the economy grew at a 3.1% average annual rate in the latter half. Real after-tax corporate profits for all corporations followed a similarly uneven pattern, plummeting at a seasonally adjusted annual rate of 62.5% in the second quarter and then rebounded with corporate profit results for the entire year 10.9% lower than 1979's average. Industrial production rebounded more slowly, reversing its downward trend in the fourth quarter, for an annual decline of 3.6%.

Interest rates were extremely volatile—rising in the first quarter, falling sharply over the second and third quarters, and surging to unprecedented heights in the fourth quarter. From July to December, the prime rate rose from 11% to 21.5%. The rate of inflation, as measured by the gross national product price deflator, moved up in 1980 to the 9-10% range. Overall, the level of real GNP by the end of 1980 was essentially unchanged from a year earlier.

High inflation combined with slower nominal income growth put a strain on household budgets. From January through May

FIGURE 1

Distribution of Revenues by Type of Carrier—1980*



*Excludes revenues of United Parcel Services which totaled \$3.9 billion.

1980, constant-dollar retail sales fell precipitously, aggravated by an anticipated credit crunch.

Housing activity during 1980 reflected the high levels of mortgage interest rates. Residential construction was marked by a gradual slide which began in 1979 and ended with a sharp drop in the spring of 1980. By May, housing starts fell to a near-record postwar low of 906,000 units,

down nearly 50% from their 1979 average. Even with high interest rates, housing starts turned up in June 1980 and remained moderately strong until November. On an annual basis, total tons of revenue freight for building materials carriers were down 6.4%; while household goods carriers suffered a decrease of 7.2%.

Constant-dollar business fixed-investment slowed during the first quarter of 1980 and declined sharply in the second quarter. By the fourth quarter, it was 4.3% lower than the comparable quarter in 1979. In the trucking industry, capital spending greatly decreased. The number of trucks sold in the U.S. during 1980 shrank to around 2.5 million units representing a 27% reduction from the previous year.

FIGURE 2
**Truck Tonnage Index
and Index of Industrial Production**
(1967 = 100)



SOURCE: ATA Monthly Truck Tonnage Report;
Federal Reserve Board

FIGURE 3
**Results of Operations—1980 vs. 1979 of Class I
Federally Regulated Motor Carriers of Property***

(Percent changes in Operating Revenues and Other Financial & Operating Statistics)	Operating Revenues	Total Operating Expenses	Interest Expense	Income ¹ Taxes	Net ¹ Income	Total Vehicle Miles	Total Tons of Revenue Freight
U.S. Total	3.0	3.1	22.1	0.4	(9.2)	(8.8)	(13.4)
General Freight Total	1.6	1.7	22.6	0.9	(15.1)	(11.6)	(16.4)
Carriers of Specialized Commodities (Except Household Goods)—Total	3.6	3.9	22.8	(10.9)	(9.3)	(6.4)	(11.3)
Heavy Machinery	7.8	10.1	39.7	(28.5)	(28.5)	0.7	(6.3)
Liquid Petroleum	(1.9)	(1.8)	14.6	(10.0)	(7.9)	(15.0)	(15.5)
Refrigerated Products	11.7	11.5	34.2	5.8	18.7	0.7	(1.2)
Agricultural Commodities	4.0	3.8	42.9	(4.3)	N.A. ²	(11.1)	(2.6)
Motor Vehicles	10.0	10.8	25.1	N.A. ²	N.A. ²	(17.1)	(11.1)
Building Materials	3.7	3.9	12.9	(21.6)	(3.4)	(6.0)	(6.4)
Other Specialized Carriers	6.2	6.8	23.1	(4.9)	(12.3)	(4.4)	(9.9)
Household Goods Carriers	13.9	13.0	9.1	43.4	52.2	(0.7)	(7.2)

Source: Financial and Operating Statistics Full Year 1980-79; Based on Quarterly reports (Form QFR) to the ICC.

Note: Parenthesis indicate decreases *Excludes results of United Parcel Services.

¹Excludes write off of operating authorities.

²N.A. = Not Applicable. Percentage changes are not applicable due to net losses or tax credits.

Cautious inventory policies continued throughout 1980 because of lower sales expectations and higher carrying costs caused by higher interest rates. Inventory levels for the first three quarters of 1980 differed for the trade and manufacturing sectors. In the trade sector, inventories were trimmed over the first half of the year. This reduction was aided by cuts in car production; however, dealers' auto stocks increased dramatically in the second quarter as domestic auto sales fell to a two decade low. In the manufacturing sector, both durable and nondurable goods inventories continued to rise through April. As sales fell in the second quarter, inventory-sales ratios rose in a number of industries. However, these high inventory-sales ratios were partially corrected during the third quarter as shipments picked up and production schedules were scaled back.

Given this economic backdrop, trucking traffic levels were extremely low. Figure 2 represents monthly tonnage based on a sample of general freight carriers. Trucking tonnage for this sample declined 17.5% from 1979 to 1980, continuing the recessionary slide which began in mid 1979. As figure 2 illustrates, tonnage bottomed out in July 1980, a 33% reduction from 1979's highest volume, and then began a modest recovery showing a 13% increase from July to December 1980.

Historically, during a recession, the decline in truckload (TL) traffic is greater than the decline in less-than-truckload (LTL) traffic. The 1980 recession was no exception; although TL traffic dropped more than normal. Industrywide, general freight carriers reported a TL traffic decrease of 21.7% and LTL traffic decrease of 7.3% year-to-year. Due to changing regulations and the increased presence

of private carriers exempt from ICC reporting requirements, the decline in tonnage underscores not only the impact of slower economic activity but also the effects of increased competition.

Figure 1 illustrates the distribution of revenues for all Class I common carriers. In 1980, the general freight carriers accounted for 59% of total revenues and the special commodity carriers accounted for the remaining 41%. Intercity tonnage for Class I general freight carriers was down 16.4% in 1980 over 1979 while total tonnage for all Class I carriers (including specialized commodity carriers) declined 13.4%.

Figure 3 shows the year-to-year percent change in Class I carriers' operational results. Although tonnage was down 13.4% for the group, 1980 revenues increased 3% due in part to higher rates permitted

by the ICC and a better freight mix. Operating expenses increased 3.1%, despite the lower tonnage, as labor and fuel costs continued to escalate. Labor is the single largest expense and typically absorbs over 60% of gross revenues. Under the terms of the current National Master Freight Agreement, direct labor costs including COLA adjustments have increased 35% since April 1, 1979.

Diesel fuel costs were up 33% from 1979 to 1980. However, the fuel surcharge helped carriers absorb the higher costs of fuel throughout the year. The increase in diesel fuel costs resulted from sharply higher prices of imported crude oil, as well as the decontrol of domestic crude oil. In the second half of 1980, the rise in energy prices slowed in response to an inventory glut caused by reduced consumption of petroleum by both consumers and businesses.

Although Class I common carriers' revenues increased, their net income before the write-off of operating authority declined 9.2% primarily due to higher interest costs. Interest expenses jumped 22.1% from 1979 to 1980. General freight carriers fared worse than the specialized commodity carriers, suffering a 15.1% drop in net income in 1980 versus 1979. As noted in figure 3, individual specialized segments' performance fluctuated widely, depending on the industry served and the economy's effect on that particular segment.

The Economy and the Trucking Industry in 1981 and Forward

The U.S. economy continued its turbulent pattern in the first half of 1981. GNP increased 8.6% at an annual rate in the first quarter, then dipped 1.6% at an annual

rate in the second quarter of 1981. Preliminary results are that the third quarter's performance was slightly negative. It now seems probable that real GNP will continue to decline for the remainder of 1981. On average, 1981's real growth should approximate 2%. A full scale recession cannot be ruled out, but a less volatile pattern that will not be classified as a recession is more likely. U.S. economic activity is expected to remain sluggish through the first half of 1982 and then show slow but steady improvement through 1985.

Real after-tax corporate profits will be under pressure from the slow-growth economy through 1981. Thus far this year, growth in industrial production has followed a sluggish and volatile path, in contrast to the strong, steady gains from August to December, 1980. The overall index advanced 4.6% during the first half of 1981 compared to the final quarter of 1980.

The persistence of lackluster final demand dictates little or no growth in industrial production in the second half of 1981 (3rd quarter results showed a 1.6% increase at an annual rate). Inventory accumulation will be modest as the slow economy and high financing costs dampen any enthusiasm for stockbuilding typically evoked in business-cycle expansions. However, the moderate pick-up in money growth and the continued cooling in inflation should yield stronger sales growth by mid-1982. Therefore, more robust increases in industrial production on the order of 4-5% at an annual rate are expected in the second half of 1982.

On a fourth quarter to fourth quarter basis, inflation will slow from a 10% annual rate in 1980 to a 8-8.5% range this year and to about 6% by 1984. By the end of 1981, unemployment is expected to rise sharply from its present 7.2% level in the third quarter. It should plateau at

around 8% in 1982; thereafter, it will move gradually down.

The current high interest rate environment coupled with sluggish real income growth has depressed both consumer and business activity. Consumer spending on housing and autos was down sharply in the second quarter of 1981. Housing starts are expected to continue at depressed levels until interest rates ease. New auto sales should average 8.9 million units at an annual rate in the second half of 1981 versus 9.1 million units in the first half. New auto sales will probably not return to the 1977-78 level of 11 million units until mid-decade.

Interest rates have been difficult to forecast in 1980-81 as rates have responded differently to recent economic stimuli than they did in the 1960s and 1970s. Two decades of accelerated monetary growth and increased inflation have made investors skeptical. Real interest rates and the inflation premium embodied in these rates have remained significantly higher than present economic conditions would indicate. If the Federal Reserve continues to maintain tight control over the money supply and if inflation continues to cool, rates should ease over the next year.

Trucking tonnage has reflected this sluggish economic growth remaining essentially flat through the first three quarters of 1981 based on preliminary data. Less-than-truckload (LTL) tonnage showed a 5.6% decrease in the first quarter of 1981 versus the comparable period in 1980. This was slightly larger than the 4.6% decline experienced in the first quarter of 1980 versus first quarter 1979. Truckload (TL) tonnage declined 10.5% in the first quarter 1981 as large shipments continue to be diverted to privates and other non-reporting carriers. However, it should be noted that this decline was not as great as the 21.7% change in TL volume from

the first quarter 1980 compared to first quarter 1979. Overall, trucking volume in 1981 is expected to be roughly the same as that of 1980.

While freight rate list prices are expected to rise in line with cost increases, rate discounting will squeeze profit margins. LTL rates should increase more than TL rates, reducing the disparity caused by the fuel surcharge program. In 1982, gradual improvements in traffic levels should lead to a firming of prices.

Overall, 1981 is expected to be another difficult year for the trucking industry as the economy remains soft and traffic remains relatively flat. On the positive side, carrier productivity is expected to improve if real labor costs stabilize and regulations limiting the weight and length of trucks are liberalized. Conditions should improve in the second half of 1982; although, there will not be any rapid change from present conditions. Gradual economic recovery will aid traffic levels in 1982 and steady improvement should continue through 1985.

Key Issues Facing the Trucking Industry

The years 1980 and 1981 have been a difficult period for the motor carrier industry. Just as the industry was adjusting to the effects of a deregulated environment it has had to contend with a sluggish economy, an unprecedented decline in traffic, increased competition, higher interest rates, and legislation such as the Multiemployer Pension Plan Amendments Act and interpretations of some provisions of the Staggers Act whose full impact has yet to be determined.

The Motor Carrier Act (MCA) of July 1, 1980, codified many of the policies of de-

regulation which the Interstate Commerce Commission (ICC) had been actively pursuing but called a halt to other deregulatory proposals. In addition to removing the psychological barriers of uncertainty, the MCA made possible the elimination of restricted routes, eased barriers to entry, and created a "zone of freedom" within which carriers may adjust their rates without prior ICC approval as to whether the rates are "just and reasonable." Further modification in the "zone" will be phased in over the next three to five years as the industry adjusts to the new law.

The trucking industry and the individual motor carriers have historically depended upon secular growth in the general economy for increased revenues. Due to deregulation, the competitive environment has changed increasing competition for truck freight between the different types of carriers (common, contract, private and owner-operator). Whereas the trucking industry still depends upon secular growth in the economy, many carriers who followed economic trends may no longer be in a position to benefit solely from that growth.

Private carriers now account for approximately 60% of inter-city miles and are one of the industry's fastest growing segments. Since the MCA granted authority to private carriers to engage in intercorporate hauling, at least 622 private carriers covering 6719 subsidiaries have filed notice with the ICC of their intent to haul such traffic. Since 1976, the ICC has permitted private carriers to transport supplemental common and contract freight on the backhaul. Few carriers availed themselves of this opportunity as ICC approval of all of their financing activities, transportation related or not, would have been required. In late 1980, the ICC clarified its procedures to allow private carriers to establish wholly-owned transportation subsidiaries thereby limiting the

required ICC approval of newly issued securities to motor carrier entities only. The ICC's interpretation is under review by a Federal court. Should the court approve, this will provide private carriers increased flexibility to compete with common and contract carriers.

Further proposals by the ICC would give private operators the ability to trip lease their equipment and drivers to common carriers, just as if they were owner-operators. If implemented, this would further encourage competition and divert truckload (TL) revenues from the common carrier. The ICC has also proposed to allow independent owner-operators to be leased by private carriers as well as common carriers thus enhancing owner-operators' independent status. Strong opposition has been expressed by the regulated carriers and others to this proposal. It remains to be seen what the ICC will ultimately decide.

Prior to the MCA, contract carriers were restricted to one type of carriage or geographical area and limited to a maximum of eight contracts. With most of these restrictions now lifted, important growth potential exists in this segment of the TL market. Some general commodity common carriers have formed contract carrier subsidiaries to better compete for the TL tonnage which is being increasingly handled by private and owner-operator carriers.

The competitive environment is also changing in the intermodal freight movement segment. Piggyback service (the movement of trailers or containers on flat railroad cars) is one of the fastest growing segments in the railroad industry in recent years due to cost advantages on longer hauls. The Rail Staggers Act of 1980 gave the ICC authority to exempt transportation provided by a rail carrier as part of continuous intermodal traffic. In March 1981, the ICC implemented Ex

Parte 230, Sub 5, granting railroads' piggyback service exemption from ICC authority and rate regulation. Prior and subsequent movement of piggyback freight, when hauled in rail-owned motor vehicles, was also removed from regulatory control. The exemption from rate regulations provides railroads flexibility in pricing which can be an important competitive advantage. Motor carriers currently must publish their rates through their rate bureaus and give several weeks notice of rate adjustments whereas railroads can modify their rate structure to meet changing market conditions. The American Trucking Association (ATA) representing the regulated common carrier, petitioned the Fifth Circuit Court of Appeals to vacate the ICC's decision on the grounds that the ICC exceeded its statutory authority and failed to adequately assess the consequences of its actions when it exempted piggyback service. In September, 1981, the Court ruled in favor of the ICC. While not yet implemented, the ATA feels there is some language in the Sub 5 court decision which still requires further clarification as to the legality of extending the exemption. In mid-1981, the ICC proposed (in Ex Parte 230, Sub 6) that the exemption of intermodal services be broadened to include rail-affiliated motor carriers and trucking companies serving as the railroads' agent. This proposal, if implemented, could produce dramatic growth in integrated rail-truck transportation for truckload shipments.

Historically, a carrier would invest considerable time and money to acquire the operating authority it deemed necessary to expand its market presence. In 1978, the ICC liberalized entry requirements by shifting the burden of proof for additional service from the applicant to its competitors. As a result, the economic value of operating authority began to erode and the carrying value for financial statement purposes became questionable. When

the MCA was passed, the aggregate value of these intangibles was over \$800 million. Recognizing the immediate reduction in value of these rights with passage of the MCA, the Financial Accounting Standards Board (FASB) directed that the motor carriers write-off the value of this authority as an extraordinary item with no tax effect taken for financial reporting. This conservative approach was taken in the event that the tax implications of these write-offs would not be resolved in a timely manner.

The Economic Recovery Tax Act of August, 1981 recognized the financial impact on the motor carrier industry of the loss of operating authority values and provided tax benefits to carriers by allowing an ordinary income tax write-off of these rights over a 60-month period. The financial treatment of this write-off as reflected in motor carriers' 1980 balance sheets understates the companies' equity as no tax effect was taken. For financial reporting in 1981, the effect of the new tax law will be to overstate 1981's net income which will offset the prior year's understated equity.

Prior to the MCA, as ease of entry became more of a reality, the financial community rarely considered the full value of a company's operating authority for covenant compliance purposes. Modifications in certain debt/equity ratios and dividend bases may have been necessary given the nature of the extraordinary loss and resultant weakened balance sheet.

As of July 1, 1980, the \$800 million of operating authority assets accounted for approximately 15% of motor carrier equity; however, for some carriers it was as high as 50% of invested capital. For the financially strong carriers, the benefits of improved cash flow from tax refunds and the ability to expand their route authority at little cost offset the decrease in both assets and equity from the write-off of

their operating rights. The marginally profitable carriers, who are unable to absorb all of the tax benefits from the write-off of their operating rights and who are the least financially able to expand their operations, have the most to lose from increased competition.

As important as the ease of entry, is the prospect for exit. The trucking industry is now undergoing a period of change, characterized by greater concentration and elimination of marginal operators. This consolidation trend is expected to continue as larger, efficient carriers further improve their position in the industry. There is also a shrinking process caused by the bankruptcy of some cases, the liquidation of poor performers.

Many companies which might prefer to liquidate or sell out cannot do so due to the Multiemployer Pension Plan Amendments Act (MEPPAA). Most such companies sign multiemployer collective bargaining agreements which call for fixed amounts of contributions per employee. Prior to passage of the MEPPAA, the pension funds established and maintained under the labor agreement were considered to be "defined-contribution" plans. The liability of participating carriers was restricted to the amount of contribution defined by the labor agreement. The MEPPAA created a new concept called withdrawal liability which requires a withdrawing company to pay a share of the pension plans' total unfunded vested benefits.

Current unfunded vested liabilities are estimated to be over \$4 billion for the motor carrier industry and, in many cases, the liability of individual carriers is greater than their total equity. A number of the carriers affected by this ruling are in precarious financial condition. Because this \$4 billion liability is the shared responsibility of all carriers who have signed the industry's labor agreement, the surviving

carriers will have to bear an increased share of the liability if a carrier declares bankruptcy and cannot cover its share of the liability. Trucking companies whose management and stockholders agree that remaining in the trucking business would not provide rates of return satisfactory to them and therefore might seek to liquidate their investment or find a suitable merger partner, could be dissuaded from making this logical business decision because of the requirements of the MEPPAA as presently stated. This withdrawal liability is on par with unsecured debt in the event of a liquidation. Therefore, the financial community faces increased risk due to the large pension claims that would occur with liquidation. To remedy this problem, the trucking industry has proposed legislation to restore the defined-contribution status which the plan had prior to the MEPPAA.

The MCA provided for continued use of rate bureaus for general and selective rate adjustments, defined the role of rate bureau employees, and required rate bureaus to divulge to any interested party the proponent of a rate or rule and the vote of all members. Section 14 of the MCA also established the Motor Carrier Ratemaking Study Commission, which was assigned the responsibility of studying and reporting to Congress on the future scope of carrier antitrust immunity in collective rate making and the future role of rate bureaus.

The zone of freedom created by the MCA heightened industry awareness of pricing as a competitive weapon. As total trucking tonnage fell in 1980, rate competition increased among carriers. Some carriers have cut rates for entire classes of shipments; while others have offered volume related discounts. In 1980, trucking rate increases filed with the ICC averaged about 17%, but the discounts of some major carriers cut the overall increase to approximately 12%.

The Fuel Surcharge Program implemented in June, 1979, and based on freight revenues, was intended as a temporary measure to compensate owner-operators who leased to regulated motor carriers for rising fuel costs. It has resulted in the diversion of some TL freight from common carriers to private, contract, and independent owner-operator carriers. In addition, the surcharge program may have decreased the use of owner-operators by LTL carriers for the linehaul. The fuel surcharge limit imposed by the ICC is currently 3.1% of freight revenues for the LTL carrier; whereas, reimbursement to the owner-operator is 18%.

In October, 1981, the ICC announced that it would allow regulated carriers to cover fuel-related costs in their usual freight rates and compensate the independent owner-operators on a mileage basis rather than a percent of revenue. The Commission's formula would allow 14 cents a mile under current diesel-fuel prices. The decision could provoke the owner-operator carriers to strike if they lose significant revenues.

As interest rates and new equipment costs rose over the last couple of years and carrier profits declined, many carriers could not afford to replace their older equipment. New purchases were avoided in 1980 as many carriers had excess capacity due to the depressed traffic levels. The older equipment is often very costly to operate and as tonnage picks up many carriers may face the need to increase debt to finance replacement units.

The trucking industry is also faced with the possibility of additional highway user taxes because of increased highway needs and the financial condition of the Highway Trust Fund. A report issued by the Department of Transportation in February, 1980, recommended that heavy-duty trucks bear the brunt of increased taxes to support the highway system.

This could put additional financial pressure on marginally profitable firms. Currently, Congress is studying the issue and is due to make a recommendation in early 1982 on the allocation of highway user taxes (truck taxes could be adjusted accordingly).

Trucking Management, Inc., the major bargaining arm of the unionized motor carriers, and the International Brotherhood of Teamsters (IBT) have agreed to an early opening of negotiations of the present National Master Freight Agreement, scheduled to expire on March 31, 1982. It was agreed that the contract negotiation needed to begin early due to the economic condition of the trucking industry and the impact of the passage of the MCA of 1980.

In March, 1981, the U.S. Supreme Court declared Iowa's ban on 65-foot twin-trailers to be unconstitutional. Twin trailers increase productivity as their cubic capacity is more than 33% higher; in addition, the fuel savings are considerable. Legislation raising weight limits to the permitted Federal maximum was enacted in Mississippi, Indiana, and Missouri and is under consideration in several other states. This could further increase carriers' productivity.

The trend in the trucking industry which was further accentuated in 1980-81 has been for the private, contract, owner-operator and irregular-route common carriers to compete for truckload (TL) traffic; and the regular-route common carriers to compete for less-than-truckload (LTL) traffic. The TL market has always been fragmented as there are few natural barriers to entry as terminals and other handling requirements are minimal in this segment. In addition, eased entry requirements have increased fragmentation in this market. The highly competitive nature of the TL market has provided shippers with freight rates that barely cover

the motor carriers' operating costs. The common freight carriers who carry the bulk of the LTL traffic are at a disadvantage in the TL segment because of their higher labor and fixed cost base which can not be covered with the low TL freight rates.

Common carriers have been successful at handling a large portion of the LTL traffic which requires substantial capital for equipment and terminals plus the organizational structure to handle the complex solicitation and management of freight. This market has tended to concentrate due to the large capital requirements, the complexities of the business, and thus greater economies of scale. The LTL carrier is characterized by a broad customer base and by diverse services. Although there are natural barriers to entry, deregulation has caused those presently in the business to expand their operations. As a result, the major LTL carriers are competing for market share with an expensive combination of lower rates and better service. Because the available traffic is not price elastic, these measures serve only to shift market share not to increase it. This will affect the future viability of the marginal regular-route carrier who previously flourished in a regulated environment.

The outlook for the LTL market is a change in the basic structure of the industry. The trend seems to indicate that the LTL business will segment into clearly defined markets based on length of haul and regional designation (national, inter-regional, and intra-regional carriers).

The national (long-haul) carriers can be expected to become price leaders due to the economies of scale associated with their consolidated shipment requirements. The volume of traffic is likely to support only a small number of specialized carriers who are dependent on the large shippers. This could cause a shake-out of

the marginal national carriers, but the survivors should be highly profitable.

Another segment will likely be formed of inter-regional (medium-haul) carriers. The inter-regional carriers may find an overlap in competition from the national carriers and thus be forced to either follow the nationals' pricing policies or find a distinct competitive advantage in the freight they haul or the services they perform.

The third likely segment will be the intra-regional (short-haul) carriers who will most probably specialize in high quality service through central breakbulk or terminal to terminal service. This segment could function as the pricing leaders in their region whose effect will be felt at all levels.

The trucking industry has recently gone through a period of unprecedented change. These changes have altered the factors that determine the success of a motor carrier. The trucking industry will have to incorporate these variables into their operations and planning to remain profitable in the 1980's.

Management has always been important to the trucking industry but with increasingly thin profit margins and an environment that has recently been partially deregulated an even greater premium is placed on good management. To keep ahead of the competition a carrier's management must be forward-thinking. As growth is achieved, it must make the transition to a more formal organization and procedures to effectively control costs.

A motor carrier must be dedicated to operating and financial controls. Operating margins have been squeezed by competitive price pressures due to deregulation and increasing fuel and labor costs; therefore, it is important to know both the time and cost factors of every shipment handled. These elements demand precise cost controls over revenue and expenses.

The mix of freight transported by a carrier is important in determining its profitability. In order to handle the higher-rated freight, carriers must have intimate knowledge of the tariff structure and must actively solicit shippers which offer desirable freight. The trade-off between higher-rated LTL traffic, which requires more handling, versus lower-rated TL traffic which entails less handling, needs to be assessed. Most profitable general commodity carriers emphasize LTL shipments which, typically, generate more than 50% of their tonnage. This percentage under deregulation should increase due to increased competition for TL freight from the private, contract and independent-owner carriers.

Due to the highly variable cost structure in the trucking industry, rate increases are critical to the health of the carrier. Rate relief granted by the ICC must be both timely and adequate. A frequent complaint by the industry is regulatory time-lag which is the time it takes the ICC to process rate proceedings. It will be interesting to see how the ICC responds in the future given its desire to have carriers individually correct non-compensatory rates through the zone of reasonableness.

A primary factor to shippers in selecting a motor carrier is its reliable service based on consistent delivery and prompt pickup. A shipper measures the carrier's service factor by his on-time performance which tracks adherence to delivery schedules. Prior to deregulation, the motor carrier was constrained from intense price competition; thus, service became the key competitive factor. Deregulation has made both price and service the key factors to success.

The new, competitive environment for motor carriers will place greater demands on the sales and marketing function. Before deregulation, there were fewer strategic and marketing options. Therefore, these

areas are generally underdeveloped in the trucking industry. In the future, motor carriers will be required to develop more sophisticated rate and service concepts to capitalize on the freer marketplace.

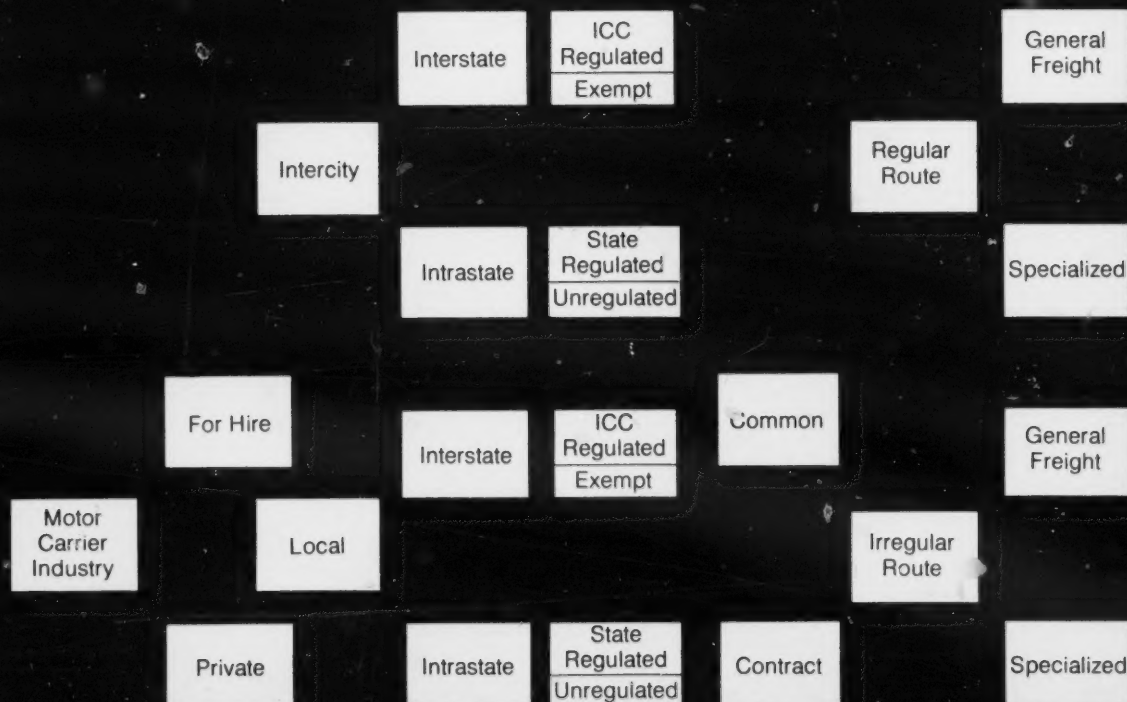
In conclusion, this has been a difficult period for the trucking industry. However, those motor carriers who are able to take advantage of the opportunities offered by deregulation and maintain control over their operations, will emerge in a stronger and more profitable position in the 1980's.

The Scope of this Analysis

This study concentrates upon for-hire carriers of general freight and specialized commodities. For 1980, the study covers 721 Class I and II for-hire common carriers of general freight and 1,349 Class I and II for-hire common and contract carriers of specialized commodities. It is only these carrier groups for which consistent and uniform financial and operating data

can be obtained. However, these groups represent \$30.8 billion (72%) of the estimated \$43 billion in gross revenues generated in 1980 by the 18,045 motor carriers authorized and regulated by the ICC. Of the 15,975 companies not covered in this study, some 14,610 are Class III motor carriers which, effective in 1980, are no longer required to file financial reports with the ICC. Other carriers excluded from this analysis are those carriers which for a variety of reasons are

Legal Structure of the Motor Carrier Industry



excused or exempt from filing with the ICC, and those carriers whose data is inaccurate, incomplete, or inconsistent for either 1980 or the comparative year 1979. Data used in this analysis are compiled from reports filed with the ICC with the exception of Group E which is compiled from shareholder reports of the publicly-owned carriers. Most of the carrier groupings are the same as last year with the exception of Group A and Group B which have been combined. The number of carriers are identical for 1980 and 1979 to insure compatibility of analysis. (Historical figures are available in prior analyses.) The main reason for grouping carriers is

to minimize the data discrepancies or operational differences thus providing a framework for valid comparisons between groups.

Group A and B: Common carriers of general freight with annual gross revenues less than \$5 million; sub-grouped by ICC region. Most of the carriers are Class II carriers with revenues between \$1 to \$5 million (Group B carriers). However, a small number of carriers with revenues between \$500,000 and \$1 million (Group A carriers) still reported data to the ICC and are included. The ICC's recent redefinition of Class revenue levels eliminated

Group A carriers per se—they are now Class III firms.

Group C: Common carriers of general freight sub-grouped by annual gross revenues, \$5 million to \$10 million versus those with gross revenues over \$10 million. Each of these groupings is divided by average length of haul.

Group D: Common and contract carriers of specialized commodities with annual gross revenues over \$1 million, sub-grouped by ICC commodity code.

Group E: Publicly-held companies of which the dominant business is as com-

ICC Geographic Regions

- 1 New England
- 2 Middle Atlantic
- 3 Central
- 4 Southern
- 5 Northwestern
- 6 Middlewestern
- 7 Southwestern
- 8 Rocky Mountain
- 9 Pacific



mon carriers of general freight. Most of these carriers are included in carrier Group C.

The Structure of the Motor Carrier Industry

The motor carrier industry may be conveniently divided into two major classifications, Private and For-Hire.

Private Carriers consist of the trucking operations of manufacturers, wholesalers, merchants, and other shippers for transporting their own goods by means of equipment which they themselves own or lease. If their principal business is *not* transportation services, they qualify as private carriers. Those firms which meet the criteria which define private carriers are not subject to Interstate Commerce Commission regulation.

For-Hire Carriers transport freight which belongs to others. They may be classified by jurisdiction served such as interstate, intrastate, and local, the last two classes being regulated by local or state authorities, or exempt from regulation. They may also be classified by kind such as Common Carriers, Contract Carriers and Exempt Carriers.

I. Common Carriers by definition offer their services to any shipper to transport his goods between designated points at published rates under authority granted them by the ICC under a certificate of public convenience and necessity. This certificate spells out both the types of commodities which may be carried and the service routes, whether irregular route service between areas on a non-scheduled basis or regular route service over designated roads on a scheduled basis. The ICC must also approve the tariffs established for various classes of freight by the numerous regional rate bureaus. In general, any service which is

not specified by the terms of an operating certificate is forbidden.

II. Contract Carriers, as the name implies, were restricted through 1979 to serving one or a few shippers under specific contractual arrangements and could not, unlike the Common Carriers, offer their services to the public-at-large.

Owing to the non-public nature of these carriers, the rates which they may charge differ from the tariff structure governing Common Carriers. Operating authorities which specify areas to be served and commodities to be carried must be obtained from the ICC. The Motor Carrier Act of 1980 substantially liberalized the rules for contract carriage.

III. Exempt Carriers transport certain specialized goods, such as unprocessed agricultural products, livestock, and newspapers, and are exempt from ICC regulations about routes, areas and rates.

Note: Motor carriers authorized and regulated by the Interstate Commerce Commission are categorized into three classes according to revenue size. Effective in 1980, Class I are carriers having annual revenues between \$1 to \$5 million, Class II having revenues between \$1 to \$5 million, and Class III having revenues less than \$1 million.

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Income Statement Data

Gross Revenues: Total operating revenues derived from freight transportation services.

Depreciation: Non-cash charges to income for use and obsolescence of carrier operating property and other fixed assets.

Purchased Transportation: The costs of revenue equipment rented from others, including affiliates, with or without hired drivers, as well as the costs of transportation purchased from railroads, airlines and water carriers.

Operating Expenses: Expenses which are directly a function of operations, including depreciation and purchased transportation. Non-carrier expenses and interest charges are not included.

Operating Income: Gross revenue less operating expenses.

Interest Expense: The cost, paid or accrued, of purchased money indebtedness from affiliates or others.

Net Income Before Taxes: Income from continuing operations, after interest charges, but before income taxes and extraordinary gains or losses.

Income Taxes—Current: Includes taxes paid to the federal, state, and (if applicable) local government.

Deferred Income Taxes: Taxes arising principally from the difference in handling certain assets, such as tires and tubes, for book and tax purposes. Deferred taxes also includes investment tax credits, if applicable. This account is used in the cash throw equation.

Equity in Earnings of Affiliates: An account used in the cash throw equation. As of Jan. 1, 1977 this account was removed from the "Other Income/Deduction" account groupings and placed after taxes.

Income before Extraordinary Items: Post-tax ordinary income excludes extraordinary gains and losses. Ratios which are developed from after tax income figures such as net after taxes to equity and to gross revenues are based on post-tax ordinary income in this year's edition.

Extraordinary Items: Includes net gains or losses on unusual items such as the sale of land or securities and typically have minimal impact on net income. Due to the 1980 Motor Carrier Act's regulatory changes trucking firms have written off their operating authorities (intangible property) as an extraordinary charge in their 1980 reports.

Net Income after Taxes: The sum of post-tax ordinary and extraordinary income.

Balance Sheet Data Assets

Cash: Cash, temporary investments, and special deposits.

Receivables from Affiliates: Notes and accounts receivable due from affiliated companies.

Notes and Accounts Receivable: Trade receivables (billings to shippers), interline receivables (billings to other carriers), and other receivables.

Prepaid Expenses: Office supplies, taxes, license and other fees, insurance, interest, and warehoused tires and tubes. Under ICC rules, tires and tubes in use may be either expensed at the outset of use or relegated to this accrual category, according to the discretion of management.

Materials and Supplies: These include fuel, spare parts, and unmounted tires and tubes. Inventories may be expensed when purchased or as they are withdrawn for use.

Other Current Assets: Includes the standard accounting term "other current assets" and deferred income tax charges.

Current Assets: The sum of cash, accounts receivable, prepaid expenses, materials and supplies, and other current assets.

Carrier Operating Property (Net): A motor carrier's "inventory," that is, revenue producing fixed assets such as trucks, tractors, trailers, buildings, land, leasehold improvements, and office equipment, as valued at cost, less accumulated depreciation and amortization.

Total Tangible Property: Net carrier operating property plus other net non-carrier operating property. The "other" property account includes items such as land purchased for expansion, or buildings, etc.

Intangible Assets: A combination of (a) the carrying values of operating authorities ("Rights") from the ICC and state regulatory bodies and (b) goodwill, principally from acquisitions of other companies and their properties, being the excess of cost over the net book value of the assets acquired. As a result of the Motor Carrier Act of 1980, the value of these assets has been virtually eliminated.

Other Assets: Investments in and advances to affiliated companies; deferred and miscellaneous debits.

Liabilities and Equity

Payables and Affiliates: Notes and accounts payable to affiliated companies.

Notes Payable: Short-term debt used for cyclical working capital purposes, such as license fees and insurance premiums. The current portion of funded (long-term debt) does not fall into this category.

Accounts Payable: Operational trade payables.

Miscellaneous Payables and Accruals: Unpaid salaries and benefits, including health, welfare and withholding taxes, accrued dividends and other miscellaneous accounts.

Taxes Payable: Miscellaneous taxes due or accrued, such as income, real estate and highway use, but not deferred income taxes.

Current Portion of Funded Debt: The amount of funded debt due within one year. Under ICC accounting practices, this is now considered a current liability.

Other Current Liabilities: Includes the current portion of advances payable, estimated accrued liabilities, other liabilities and deferred tax credits.

Current Liabilities: The sum of notes payable, accounts payable, miscellaneous payables and accruals, taxes payable, the current portion of funded debt and other current liabilities.

Advances Payable: Contains the non-current portion of advances payable, both to affiliated companies and other business enterprises.

Funded Debt: Secured or unsecured purchased money indebtedness taken for a term greater than one year and used primarily for revenue equipment and real estate purchases.

Total Long-Term Debt: The sum of long-term funded debt (excluding current maturities) and long-term advances payable.

Total Funded Debt: The total purchased money indebtedness of a company including long-term funded debt and the current portion of that debt. Long-term advances payable are not included here.

Reserves and Estimated Liabilities: Reserves covering cargo loss, damage and self-insurance programs.

Accumulated Deferred Tax Credits: Deferred income taxes resulting from the difference between book and tax treatment of depreciation.

Total Liabilities: The sum of current liabilities, total long-term debt, and reserves and estimated liabilities.

Stockholder's Equity: The equity in the assets held by proprietors, partnerships, and stockholders; comprises all classes of capital stock, capital surplus, and retained earnings, net of treasury stock.

Total Capital: Total long-term debt (funded debt due after one year and non-current advances payable) plus stockholder's equity.

Analytical Data Profitability

Gross Revenues to Equity: One of several measures suggesting the degree of efficiency in employment of capital.

After-Tax Income to Equity: This ratio, return on shareholders' equity, indicates how well the owners' investment dollars are used.

TERMINOLOGY

Gross Revenues to Carrier Operating Property (Net) and (at Cost): These measures tell how much revenue is produced by each dollar of operating equipment and are another index of management's efficiency. They are best applied to year-to-year comparisons of the same or very similar carriers; the amount of purchased transportation employed can otherwise affect the validity of comparisons.

Gross Revenues to Total Capital and Pre-Tax Income to Total Capital: Two additional operating ratios which measure the turnover of total capital on revenues and pre-tax income.

Pre-Tax and After-Tax Income to Gross Revenues: Well-known measures of profitability. Since motor carriers typically show low margins on high volumes, even slight changes in these ratios may indicate significant trends.

Return on Transportation Investment: Net carrier operating income divided by carrier operating property (net) plus working capital expressed as a percent.

Expense Ratio: Total operating expenses plus interest expenses as a percentage of gross revenues. Unlike the operating ratio, the expense ratio also takes into account the cost of debt.

Operating Ratio: Operating expenses as a percentage of gross revenues. This is an important index of operating efficiency. Since it excludes extraordinary expenses, income taxes and interest, individual peculiarities are eliminated so that the ratio may be used as a measure of performance industry-wide.

Liquidity

Cash Throw: Net income after taxes plus depreciation, as defined, plus deferred income taxes accrued during the reporting period minus equity in the earnings of affiliated companies.

When mention is made of cash throw debt coverage, it is recognized that normal operations preclude such pay-offs as cash throw is used for numerous purposes other than debt retirement. The time period coverage is offered as one measure of liquidity and should be evaluated *relative* to cash throw coverage of the other carrier groups.

Working Capital: Current assets less current liabilities.

Current Ratio: The ratio of current assets to current liabilities, both as previously defined. The working capital requirements of motor carriers are not comparable with those of other industries since inventories are relatively minor and receivables turn over relatively quickly.

Days of Cash Expenses in Working Capital: To compute, (a) subtract depreciation and the gain (loss) from disposition of operating assets from operating expenses to get cash operating expenses; (b) divide cash operating expenses by 365; (c) divide the result into working capital. This ratio measures the ability of the carrier to meet daily operating expenses from working capital. To service debt, it is cash throw from ongoing operations, not a diminution of current assets, which is relevant, and, therefore, the days cash ratio is a better indicator of operational viability than the current ratio.

Average Days Collection Period: Notes and accounts receivable times 365 divided by gross revenues. This ratio is helpful in analyzing the collectibility of receivables. When comparing the collection period of one firm or industry with that of another, allowances should be made for possible variations in selling terms. Note that the collection period ratio shown herein, relating revenues to receivables, does not specifically address the collection procedure of motor carrier groups, however, it is indicative of *relative* turnover of receivables.

Leverage & Debt Service

Funded Debt to Equity: The ratio of total funded debt, including current maturities, to shareholders' equity. If current operations can be adequately funded from working capital, this ratio reveals the degree of protection afforded to long-term lenders.

Net Debt to Equity: Funded debt due after one year less working capital, divided by stockholders' equity. A more sharply-honed version of the preceding ratio, since it does not include working capital, which ought to be sufficient to cover current operations.

Funded Debt to Tangible Net Worth: Total funded debt divided by stockholders' equity less intangibles. This ratio is another "fine-tuned" version of the debt to equity ratio in that intangibles are eliminated from stockholders' equity.

Cash Throw to Debt Due in One Year:

Cash throw divided by current portion of funded debt. This ratio, which indicates the ability to service the current portion of long-term debt principal, is useful for analyzing smaller carriers which finance equipment purchases on an installment contract basis. Since revolving credit arrangements do not provide for current maturities, the ratio will be misleading when applied to carriers using revolving. An axiom of lenders is that carriers should be able to cover current debt maturities through depreciation alone.

Cash Throw to Total Funded Debt: This index reveals the proportion of total funded debt that could be repaid in one year if all cash throw were directed to that end. As such, it yields a better measure of the ability of carriers who use equipment revolving to service their debt than does the preceding ratio. The reciprocal of this ratio is the number of years required to repay debt completely, and it may usefully be compared with the average remaining life of carrier operating property.

Interest to Total Funded Debt: This index shows the percentage interest payments represent of total funded debt.

Net Carrier Operating Property to Net Worth: As a measure of owners' equity in operating property, this ratio points to the relative adequacy of capitalization as well as to efficient use of capital.

Additional Ratios

Receivables to Payables: Notes and accounts receivable divided by notes payable plus accounts payable.

Depreciation to Debt Due in "One"

Year: Depreciation divided by funded debt due in "one" year.

Total Tangible Property to Equity: Total tangible property divided by stockholders equity.

Income Before Extraordinary Items to Equity, Percent: Net income after taxes, but before extraordinary and prior period items divided by stockholders equity times 100.

Gross Revenues to Total Tangible Property: Gross revenues divided by total tangible property.

Productivity

Total Payroll to Revenues: This ratio suggests the degree of efficiency with which labor is employed. The ability to control payroll expenses will vary, of course, between different kinds of carriers and the ratio should be used with caution when comparing carriers of unlike kind.

Total Payroll (WPT) to Revenues: The ratio of total payroll (including purchased transportation) to revenues is a refinement of the preceding ratio. It too reveals efficiency in the use of personnel resources; it is more meaningful than the ratio of total payroll to revenues for analyzing those carriers, such as Group D carriers, which rely heavily upon purchased transportation.

Cargo Handler Compensation to Revenues:

Cargo handler compensation comprises one of the main components of total payroll, especially for general freight carriers. Thus, this ratio focuses upon one aspect of personnel cost.

Linehaul Expenses to Revenues: The linehaul expense category aggregates the allocation of various operating expenses. The ratio thus gives yet another handle on operating productivity.

Average Load: An index of the utilization of productive capacity, derived from the ton-mile figures compiled by carriers. Ton-miles are perhaps the most troublesome statistic for motor carriers to generate, but should reflect a summation of the number of truck movements made during any period, with the relevant data for each truck movement being the tons handled multiplied by the mileage of the movement.

Total Tons: Total tons reflects a combination of tons handled in truckload and less-truckload amounts as well as tonnage from common and contract carrier intercity service.

Total Miles: Total miles reflects intercity miles with owned vehicles and intercity miles with vehicles rented with and without driver as well as driveaway miles operated in intercity service.

Composite Carrier Groups A, B, & C

Introduction

This section analyzes the combined results (composite) of operations of Class I and II motor carriers of general freight. It does not include carriers of specialized commodities which are reviewed in the Carrier Group D Section of this report.

Data used in this analysis are compiled from reports filed with the ICC. Motor carriers are grouped by the ICC into three classes according to revenue size. Beginning January 1, 1980, the ICC revised these classifications so that Class I includes all carriers with revenues in excess of \$5,000,000, Class II includes those carriers with revenues between \$1,000,000 and \$5,000,000, and Class III includes carriers with revenues under \$1,000,000. The ICC eliminated reporting requirements for all Class III carriers effective in 1980 and as a result virtually all of these carriers are not included in this study. However, 17 carriers with revenues under \$1,000,000 continued to provide full financial reports to the ICC and are included in the carrier Group A & B category.

The 721 carriers included in this general freight composite are identical in 1980 and 1979 to ensure comparability of analysis. These carriers represent approximately 40% of the total revenues generated by all 13,045 motor carriers of general freight regulated by the ICC in 1980. Composite statistics are shown for five years; while trends are generally indicative of the group's historical performance, only 1980 and 1979 are fully comparable.

Operating Performance

As total trucking tonnage for the industry declined 11.1% from 1979 to 1980, the general freight carriers included in the composite experienced a 13.9% drop in tonnage and a 7.9% decrease in intercity mileage year-to-year. However, revenues were up 4.4% to \$17.1 billion in 1980, due to rate increases. This group had experienced a sharp deterioration in their operating ratio in 1979 as component costs, principally fuel and labor costs, escalated. However, the composite of general freight carriers was able to check this rise in 1980 as the operating ratio increased only marginally from 96.36% in 1979 to 96.52% in 1980. In comparison to the specialized commodities carriers, the carriers in the composite are not heavy users of purchased transportation. However, over the past five years, the composite carriers have increased their reliance on purchased transportation in response to rising equipment costs and interest rates. The absolute dollar amount of purchased transportation expenditures rose slightly from 1979 to 1980; however, purchased transportation as a percentage of revenues represented 11.1% of revenues in 1980 down from 11.3% in 1979. Interest expense jumped 27.1% from 1979 to 1980 even though total debt dropped by 5% as interest rates hit record levels. The composite total expense ratio deteriorated slightly from 97.38% in 1979 to 97.76% in 1980.

In 1980, the carriers included in the composite wrote off over \$511 million of extraordinary items (primarily operating authority rights). The net income figures and ratios based on net income used in this analysis are before extraordinary items

such as this write-off. Net income dropped by 21.5% to \$279.76 million in 1980 primarily due to increased interest charges. This follows a 27% decrease in net income experienced the previous year. Return on equity and return on transportation investment both dropped for a second consecutive year to 9.41% (ROE) and 13.84% (ROTI) in 1980 from 10.86% (ROE) and 14.45% (ROTI) in 1979. In the five years prior to 1979, this Group's return on transportation investment had ranged from 19% to 25%. This decrease is due to the sharp decline in net income experienced by this group over the last two years.

Liquidity

Composite carriers managed to improve their working capital position by 12.9% year-to-year in spite of their depressed earnings levels. Cash holdings increased by \$162.9 million—a 30.6% increase over 1979. Days cash operating expenses in working capital increased to 12.79 days from 11.82 days in 1979 and the average days collection period remained virtually unchanged at 31.8 days. Total current liabilities increased by \$265 million (comprised principally of a \$98.6 million increase in payables to affiliates and a \$86 million increase in other current liabilities) which kept the current ratio essentially

Composite Carrier Groups A, B & C

	Total Group A & B				Total Group C				Total A, B & C			
Number of Carriers	401		1979		320		1979		721		1980	
Year	1980				1980				1980			
Income Statement	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Income & Expense Data												
Gross Revenues	1,045.95	100.00	1,072.19	100.0	16,056.29	100.0	15,311.95	100.0	17,102.24	100.0		
Depreciation	37.42	3.6	37.47	3.5	614.19	3.8	561.93	3.7	651.61	3.8		
Purchased Transportation	169.25	16.2	168.86	15.7	1,724.16	10.7	1,685.58	11.0	1,893.41	11.1		
Total Operating Expenses	1,019.96	97.5	1,036.38	96.7	15,486.50	96.5	14,751.23	96.3	16,506.47	96.5		
Net Carrier Operating Income	25.98	2.5	35.81	3.3	569.79	3.5	560.72	3.7	595.77	3.5		
Interest Expense	13.19	1.3	11.36	1.1	200.10	1.2	156.46	1.0	213.29	1.2		
Net Income Before Taxes	22.44	2.1	35.25	3.3	430.20	2.7	471.48	3.1	452.65	2.6		
Income Taxes—Current	8.00	0.8	10.95	1.0	139.51	0.9	130.84	0.9	147.52	0.9		
Deferred Income Taxes	1.36	0.1	0.75	0.1	37.20	0.2	38.35	0.3	38.55	0.2		
Equity in Earnings of Affil	0.13	0.0	0.85	0.1	8.84	0.1	27.47	0.2	9.97	0.1		
Income Before Extra Items	13.20	1.3	24.41	2.3	266.56	1.7	332.11	2.2	279.76	1.6		
Extraordinary Items	11.52	1.1	0.13	0.0	499.03	3.1	3.01	0.0	510.55	3.0		
Net Income After Taxes	1.68	0.2	24.28	2.3	232.47	1.4	335.11	2.2	230.79	1.3		
Balance Sheet												
Assets												
Cash	47.19	9.6	44.46	9.0	648.32	9.3	488.14	7.0	695.51	9.3		
Receivables from Affiliates	24.57	5.0	23.08	4.7	173.32	2.5	129.93	1.7	197.89	2.6		
Notes & Accounts Receivable	113.44	23.0	120.13	24.3	1,379.16	19.7	1,298.72	18.6	1,492.60	19.9		
Prepaid Expenses	15.58	3.2	15.27	3.1	255.42	3.6	233.24	3.4	271.00	3.6		
Materials & Supplies	6.44	1.3	5.73	1.2	185.44	2.6	179.67	2.6	191.89	2.6		
Other Current Assets	2.12	0.4	2.70	0.5	43.02	0.6	27.81	0.4	45.14	0.6		
Total Current Assets	209.33	42.5	211.37	42.8	2,684.68	38.4	2,353.51	32.3	2,894.01	38.6		
Carrier Operating Property	410.72	83.4	395.87	80.1	6,624.15	94.6	6,159.40	88.0	7,034.87	93.9		
Reserve for Depreciation	220.26	44.7	208.96	42.3	3,096.23	43.8	2,711.12	38.7	3,286.49	43.9		
Carrier Operating Property Net	190.46	38.7	186.91	37.8	3,557.92	50.8	3,448.28	49.3	3,748.38	50.0		
Total Tangible Property	214.41	43.6	207.77	42.1	3,825.14	51.8	3,517.48	50.3	3,839.55	51.3		
Intangibles	10.65	2.2	21.39	4.3	52.29	0.7	495.68	7.1	62.93	0.8		
Other Assets	57.87	11.8	53.39	10.8	636.94	9.1	630.30	9.0	694.61	9.3		
Total Assets	492.26	100.0	493.92	100.0	6,999.05	100.0	6,999.97	100.0	7,491.31	100.0		
Liabilities & Equity												
Payables to Affiliates	18.59	3.8	16.95	3.4	161.05	2.3	64.04	0.9	179.64	2.4		
Notes Payable	12.47	2.5	13.65	2.8	47.09	0.7	19.07	0.3	99.56	0.8		
Accounts Payable	76.12	15.5	76.05	15.4	663.93	9.5	663.12	9.5	740.05	9.9		
Misc. Payables & Accruals	14.17	2.9	14.23	2.9	204.57	2.9	193.83	2.8	218.74	2.9		
Taxes Payable	5.27	1.1	9.03	1.8	141.66	2.0	110.34	1.6	146.93	2.0		
Funded Debt Due Within One Year	23.52	4.8	23.00	4.7	196.47	2.8	182.52	2.6	219.99	2.9		
Other Current Liabilities	22.97	4.7	24.30	4.9	748.88	10.7	661.21	9.4	771.85	10.3		
Total Current Liabilities	173.10	35.2	177.21	35.9	2,163.66	30.9	1,804.14	27.1	2,336.76	31.2		
Advances Payable	29.48	6.0	25.21	5.1	462.40	6.6	390.35	5.6	491.87	6.6		
Funded Debt Due After One Year	83.87	17.0	76.69	15.5	1,054.75	15.1	1,149.94	16.4	1,138.63	15.2		
Total Long Term Debt	113.35	23.0	101.90	20.6	1,517.15	21.7	1,540.29	22.0	1,630.50	21.8		
Total Funded Debt	107.40	21.8	99.89	20.2	1,251.22	17.9	1,332.47	19.0	1,358.62	18.1		
Reserves & Est Liabilities	1.92	0.4	1.57	0.3	121.50	1.7	102.77	1.5	123.42	1.6		
Accum Deferred Tax Credits	6.35	1.3	7.05	1.4	419.86	6.0	382.24	5.5	426.21	5.7		
Total Liabilities	294.73	59.9	287.74	58.3	4,222.17	60.3	3,919.44	56.0	4,516.89	60.3		
Stockholder's Equity	197.53	40.1	206.19	41.7	2,776.89	39.7	3,077.54	44.0	2,974.41	39.7		
Total Capital	310.88	63.2	308.09	62.4	4,294.03	61.4	4,617.83	66.0	4,604.91	61.5		
Total Liabilities & Equity	492.26	100.0	493.92	100.0	6,999.05	100.0	6,999.97	100.0	7,491.31	100.0		
Analytical Data												
	Total Group A & B 1980		1979		Total Group C 1980		1979		Total A, B & C 1980			
Operating Performance												
Gross Revenues to Equity	5.30		5.20		5.78		4.98		5.75			
Gross Revenues to Total Capital	3.36		3.46		3.74		3.32		3.71			
Gross Revenues to Net Carr Oper Prop	5.49		5.74		4.51		4.44		4.56			
Gross Revenues to Carr Oper Prop (Cost)	2.55		2.71		2.42		2.49		2.43			
Pre-Tax Income to Gross Revenues, %	2.15		3.29		2.68		3.08		2.65			
Pre-Tax Income to Total Capital, %	7.22		11.44		10.02		10.21		9.83			
After Tax Income to Gross Revenues, %	1.26		2.28		1.66		2.17		1.64			
After Tax Income to Equity, %	6.68		11.84		9.60		10.79		9.41			
Return on Transportation Investment, %	11.46		16.20		13.97		14.35		13.84			
Expense Ratio, %	98.78		97.72		97.70		97.36		97.76			
Operating Ratio, %	97.52		96.66		96.45		96.34		96.52			
Average Revenue Per Carrier	2.61		2.67		50.18		47.85		23.72			
Net Income Per Carrier	0.03		0.06		0.83		1.04		0.39			
Liquidity												
Cash Throw Off, Dollars	51.85		61.78		909.10		904.92		960.95			
Working Capital, Dollars	36.23		34.16		521.02		459.37		557.25			
Current Ratio	1.21		1.19		1.24		1.24		1.24			
Days Cash Oper Exp in Work Cap	13.41		12.42		12.75		11.78		12.79			
Average Days Collection Period	39.59		40.90		31.35		30.96		31.86			
Leverage & Debt Service												
Funded Debt to Equity	0.54		0.48		0.45		0.43		0.46			
Net Debt to Equity	0.24		0.21		0.19		0.22		0.20			
Funded Debt to Tangible Net Worth	0.57		0.54		0.46		0.52		0.47			
Cash Throw to Funded Debt Due in One Year, %	220.44		268.58		462.72		495.78		436.61			
Cash Throw to Total Funded Debt, %	48.28		61.97		72.66		67.91		70.73			
Interest to Total Funded Debt, %	12.28		11.40		15.99		11.74		15.70			
Carrier Property (Net) to Equity	0.96		0.91		1.28		1.12		1.26			
Additional Ratios												
Receivables to Payables	1.28		1.34		1.94		1.90		1.87			
Deprec to Debt Due in One Year	1.59		1.63		3.13		3.08		2.96			
Total Tang Prop to Equity	1.09		1.01		1.31		1.14		1.29			
Income Before Extra Items Etc to Equity, %	6.69		11.84		9.45		10.72		9.27			
Gross Revenues to Total Tang Prop	4.88		5.16		4.43		4.35		4.45			
Productivity Measures (Int-City Carr Only)												
Total Payroll to Revenues, %	35.08		38.49		39.65		40.39		39.47			
Total Payroll (WPT) to Revenues, %	49.83		50.58		50.30		51.32		50.28			
Cargo Handler Comp to Revenues, %	4.12		4.91		8.14		8.42		7.98			
Linehaul Expenses to Revenues, %	38.44		37.69		41.85		42.05		41.15			
Revenue Per Ton-Mile, Cents	20.46		18.21		17.03		14.71		17.14			
Average Load, Tons	9.70		10.27		13.39		13.65		13.23			
Total Tons, Thous	18,765.25		22,379.31		175,732.23		263,443.06		194,497.48			
Total Miles, Thous	305,734.31		344,974.83		9,602,166.58		7,196,511.89		9,907,900.89			
Dollar Amounts in Millions												

721 1979		857 1978		963 1977		748 1976	
\$	%	\$	%	\$	%	\$	%
16,384.14	100.0	18,328.35	100.0	13,777.94	100.0	13,208.8	100.0
599.40	3.7	628.43	3.4	495.92	3.6	502.5	3.8
1,854.44	11.3	1,790.94	9.8	1,294.44	9.4	1,051.2	8.0
15,787.61	96.4	17,319.37	94.5	13,014.65	94.5	12,570.2	95.2
596.53	3.6	1,008.98	5.5	763.30	5.5	638.6	4.8
167.82	1.0	133.71	0.7	100.39	0.7	90.0	0.7
506.73	3.1	907.72	5.0	717.51	5.2	598.4	4.5
141.78	0.9	293.25	1.6	252.86	1.8	226.1	1.7
39.10	0.2	64.89	0.4	39.27	0.3	27.5	0.2
28.32	0.2	45.64	0.2	38.27	0.3	20.5	0.2
356.51	2.2	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2.88	0.0	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
359.39	2.2	594.62	3.2	462.83	3.4	364.9	2.8
532.60	7.1	764.41	8.8	602.65	9.4	641.1	10.6
144.01	1.9	155.34	1.9	146.64	2.3	141.0	2.3
1,418.86	18.9	1,491.81	18.6	1,112.69	17.4	975.6	16.2
253.51	3.4	264.54	3.3	224.63	3.5	186.6	3.1
185.40	2.5	135.93	1.7	105.84	1.7	107.9	1.8
30.31	0.4	29.39	0.4	24.80	0.4	16.8	0.3
2,564.88	34.2	2,781.42	34.7	2,217.26	34.7	2,069.0	34.3
6,555.26	87.5	7,025.75	87.7	5,478.77	85.8	5,511.9	91.4
2,920.07	39.0	3,275.30	40.9	2,600.79	40.7	2,700.5	44.8
3,635.19	48.5	3,750.44	46.8	2,877.98	45.1	2,811.4	46.6
3,725.25	49.7	3,840.86	48.0	2,952.67	46.2	2,876.8	47.7
517.07	6.9	486.42	6.1	411.34	6.4	344.3	5.7
683.69	9.1	898.13	11.2	803.97	12.6	738.3	12.2
7,490.90	100.0	8,006.85	100.0	6,385.24	100.0	6,028.4	100.0
80.99	1.1	93.47	1.2	82.75	1.3	69.2	1.1
32.72	0.4	37.08	0.5	39.27	0.6	37.3	0.6
739.16	9.9	782.51	9.5	606.64	9.5	533.1	8.8
208.06	2.8	251.58	3.1	172.78	2.7	186.6	3.1
119.38	1.6	192.94	2.4	142.53	2.2	159.9	2.7
205.52	2.7	204.00	2.5	170.78	2.7	165.0	2.7
685.52	9.2	780.43	9.7	531.66	8.3	486.2	8.1
2,071.35	27.7	2,321.03	29.0	1,746.41	27.4	1,637.2	27.2
415.56	5.5	404.30	5.0	239.00	3.7	296.6	4.9
1,226.63	16.4	1,138.94	14.2	932.94	14.6	815.3	13.5
1,642.19	21.9	1,543.24	19.3	1,171.94	18.4	1,111.9	18.4
1,432.15	19.1	1,342.95	4.3	1,103.72	17.0	980.3	16.0
104.34	1.4	113.03	1.4	123.64	1.0	102.1	1.0
389.29	5.2	455.96	5.7	322.40	5.0	355.9	5.9
4,207.17	56.2	4,433.26	55.4	3,364.40	52.7	3,207.2	53.2
3,283.72	43.8	3,573.59	44.6	3,020.85	47.3	2,821.3	46.8
4,925.92	65.8	5,116.82	1.5	4,192.79	65.0	3,933.2	65.0
7,490.90	100.0	8,006.85	100.0	6,385.24	100.0	6,028.4	100.0
1979		1978		1977		1976	
4.99		5.13		4.59		4.68	
3.33		3.58		8.28		3.35	
4.51		4.89		4.78		4.69	
2.50		2.61		2.51		2.39	
3.09		4.95		5.20		4.53	
10.29		17.74		17.11		15.21	
2.18		3.24		3.35		2.76	
10.86		16.64		15.32		12.93	
14.45		23.96		22.79		19.69	
97.38		95.22		95.18		95.84	
96.36		94.49		94.45		95.16	
22.72		21.39		14.31		17.7	
0.49		0.69		0.48		0.5	
966.69		1,242.29		959.75		874.4	
493.54		460.40		470.85		431.8	
1.24		1.20		1.26		1.26	
11.82		10.03		13.67		13.03	
31.61		29.71		29.47		26.96	
0.44		0.38		0.36		0.34	
0.22		0.19		0.15		0.13	
0.52		0.44		0.47		0.39	
470.36		608.95		561.97		529.92	
67.50		92.51		86.95		89.19	
11.72		9.96		9.09		9.18	
1.11		1.05		0.95		0.99	
1.84		1.87		1.72		1.71	
2.92		3.08		2.90		3.04	
1.13		1.07		0.97		1.01	
10.79		16.64		15.34		12.94	
4.40		4.77		4.66		4.59	
40.21		41.72		41.69		42.98	
51.29		51.39		51.55		50.93	
8.27		8.54		8.59		8.62	
41.85		39.31		39.43		40.85	
14.83		13.57		13.58		12.91	
13.49		13.44		13.51		13.20	
225,822.37		245,737.61		N.A.		N.A.	
7,503,486.52		7,820,545.09		N.A.		N.A.	

unchanged year-to-year at 1.24 times. Overall, the composite carriers maintained an acceptable liquidity position in 1980 although earnings levels continued to decline.

Leverage and Debt Service

The composite of Group A, B & C carriers reduced total funded debt by 5% year-to-year. As a result, the ratio of funded debt to tangible net worth decreased from .52 to 1 in 1979 to .47 to 1 in 1980. The composite carriers managed to reduce total funded debt by \$73 million even though they added \$480 million to carrier operating property (at cost) in 1980. Carrier property was 46.7% depreciated in 1980 showing an increase in the age of equipment over 1979.

Debt service ability deteriorated slightly but remained at a reasonable level. Cash throw to funded debt due in one year decreased from 4.7 times in 1979 to 4.4

times in 1980 as a larger portion of total debt fell into the one year maturity category. Cash throw to total funded debt increased to 70.73% in 1980 up from 67.5% in 1979. If it were possible to apply all of the composite's cash throw to repay total funded debt, this group could repay in less than 18 months. The Group's debt to equity ratio increased from .44 to 1 in 1979 to .46 to 1 in 1980. As stockholders equity declined by \$309.3 million primarily due to the operating authority write-off, stockholders equity as a percentage of total footings decreased from 43.8% in 1979 to 39.7% in 1980.

In summary, the carriers in Group A, B & C have suffered through two years of declining tonnage and profits. However, in 1980 they have displayed an improving ability to cope with the depressed traffic levels and earnings. Liquidity and leverage positions improved and debt service ability remained at adequate levels. Productivity measures have remained basically flat reflecting more effective control measures as both fuel and labor costs continued to escalate in 1980.

Carrier Group A & B

Introduction

Group A & B is composed of 401 general freight carriers with annual revenues of less than \$5 million. This group is comprised of 384 common carriers with annual gross operating revenues between \$1 and \$5 million and 17 common carriers with annual gross operating revenues under \$1 million. Data are compiled by ICC regions and were standardized with 1979 to ensure comparability of analysis.

Beginning January 1, 1980, the ICC eliminated reporting requirements for common carriers with annual revenues of less than \$1 million. Nevertheless, 17 carriers with annual revenues of less than \$1 million which did submit financial data have been included in this financial analysis.

In 1980, Group A & B represented only 6.1% of total gross revenues and 4.7% of total after-tax net income before operating authority write-offs generated by all general freight carriers studied in this analysis. The carriers for this group are concentrated primarily in the Middle Atlantic, the Central, the Pacific, and the Southern ICC regions; nonetheless, the composite of all regions ensures a better measure of total performance.

In this group as in all sections of this financial analysis, 1980's profitability ratios exclude the operating authority write-offs from net income for comparability to 1979's net income; however, the balance sheet items (stockholders' equity and assets) reflect the write-off of the operating rights. While this would appear to understate the equity portion of the balance sheet in view of the tax benefits now allowed by the 1981 Economic Recovery Tax Act, it does reflect the weakened financial position of the motor carriers as reported for book purposes in 1980.

Operating Performance

Carrier Group A & B had a difficult year during 1980. Gross revenues for the group decreased 2.4% to \$1,046 million, despite freight rate increases, due to both the 16.1% deterioration in total tons and to the 11.4% decrease in total miles. The largest absolute decrease in gross revenues and total tonnage occurred in the Middle Atlantic, the Central, and the Southern regions which made up 57% of total gross revenues and 61% of total tons for Group A & B.

For the group, the average load declined 5.5%, while revenues per ton-miles advanced 12.2% aided by across the board rate increases. Counter to the group's performance, the Middlewestern Region had the largest increase in revenues per ton-miles (32.4%) as several of its carriers expanded their operations as evidenced by increases in both tonnage and miles. Revenues per ton-miles were down 8.6% in the Rocky Mountain Region which was somewhat skewed by one carrier which sold approximately 97% of its assets.

This drop in capacity also affected the Rocky Mountain Region's operating ratio which improved 718 basis points. With that exception, all other regions were relatively unchanged or showed deteriorations in their operating ratios. For the group as a whole, the operating ratio moved up from 96.66% in 1979 to 97.52% in 1980 as labor and fuel prices continued to escalate. The Central Region carriers continued to be the least efficient with an operating ratio of 100.91% closely followed by the New England Region carriers with an operating ratio of 99.31%.

Interest expense climbed 16.1% for the group as interest rates maintained unprecedented levels during 1980. Interest expense surged for all regions, with the exception of the Rocky Mountain Region

which decreased interest costs by 73.5% due to a 51.3% reduction in total funded debt. If the Rocky Mountain Region had been excluded from the group's composite, interest expense for the remaining regions surged 24% while total funded debt increased only 8.8%.

Year-to-year, the combination of decreased gross revenues and increased operating and interest expenses for the group produced a 45.9% drop in 1980 after-tax net income (before operating authority write-offs); while 1980 after-tax net income (after the write-off of operating authority and other extraordinary items) plummeted 93.1%. All ICC regions in Group A & B during 1980 were profitable prior to operating authority write-offs, with the exception of the Central and the Northwestern regions. Although the group's profitability was lower than the general freight carriers' composite, the Southern, the Middlewestern, the Southwestern, the Rocky Mountain, and the Pacific regions performed better than the industry's composite.

For Group A & B, return on equity (net income excludes and equity includes operating authority write-offs) in 1980 was 6.68%, a 43.5% reduction over 1979 and 29% lower than all general freight carrier's 1980 return on equity of 9.41%. Individually, the ICC regions had a wide range of returns on equity: the Southwestern Region had the best at 22.71%, while the Central Region had the worst at a negative 11.68%. The Northwestern Region's return on equity is misleading as the region had both a net loss and negative stockholders equity caused primarily by the operating authority write-offs; nonetheless, removing the Northwestern Region from the group's computation does not significantly alter the group's ratio.

The group's return on transportation investment decreased 29.2% over 1979 to

Carrier Group A-B

Region Number Region Number of Carriers Year	1 New England 32 1980				2 Middle Atlantic 81 1980				3 Central 81 1980				4 Southern 69 1980			
	1979		1979		1979		1979		1979		1979		1979			
	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%		
Income Statement																
Income & Expense Data																
Gross Revenues	78.49	100.0	77.05	100.0	193.70	100.0	198.20	100.0	212.75	100.0	223.28	100.0	194.48	100.0		
Depreciation	2.12	2.7	2.31	3.0	6.93	3.6	6.67	3.4	7.85	3.7	7.58	3.4	8.64	4.4		
Purchased Transportation	5.42	6.9	4.24	5.5	29.67	15.3	30.14	15.2	35.23	16.6	36.92	16.5	25.86	13.3		
Total Operating Expenses	77.95	99.3	76.25	99.0	189.78	98.0	190.39	96.1	214.68	100.9	221.07	99.0	184.72	95.0		
Net Carrier Operating Income	0.54	0.7	0.80	1.0	3.92	2.0	7.80	3.9	1.93	0.9	2.22	1.0	9.76	5.0		
Interest Expense	0.93	1.2	0.74	1.0	2.41	1.2	2.02	1.0	2.67	1.3	2.04	0.9	2.46	1.3		
Net Income Before Taxes	0.21	0.3	0.44	0.6	2.86	1.5	6.87	3.5	3.72	1.7	1.26	0.6	8.29	4.3		
Income Taxes—Current	0.15	0.2	0.20	0.3	0.97	0.5	1.37	0.7	0.23	0.1	0.99	0.4	2.13	1.1		
Deferred Income Taxes	0.05	0.1	0.00	0.0	0.17	0.1	0.31	0.2	0.03	0.0	0.02	0.0	0.89	0.5		
Equity in Earnings of Affil	0.02	0.0	0.04	0.1	0.22	0.1	0.64	0.3	0.10	0.0	0.08	0.0	0.06	0.0		
Income Before Extra Items	0.13	0.2	0.20	0.3	1.93	1.0	5.84	2.9	3.62	1.7	0.37	0.2	5.35	2.8		
Extraordinary Items	1.59	2.0	0.00	0.0	3.07	1.6	0.04	0.0	2.29	1.1	0.01	0.0	2.59	1.3		
Net Income After Taxes	1.46	1.9	0.20	0.3	1.14	0.6	5.88	3.0	5.91	2.8	0.38	0.2	2.76	1.4		
Balance Sheet																
Assets																
Cash	2.32	9.1	2.50	9.0	11.60	13.5	10.12	11.3	6.07	7.1	6.78	7.7	10.14	9.2		
Receivables from Affiliates	1.27	5.0	1.38	5.0	3.20	3.7	3.44	3.9	2.05	2.4	1.33	1.5	6.33	5.7		
Notes & Accounts Receivable	7.25	28.4	7.26	26.2	17.20	20.0	18.27	20.5	24.72	29.0	23.43	26.6	24.49	22.1		
Prepaid Expenses	1.06	4.2	0.91	3.3	3.36	3.9	2.89	3.2	3.40	4.0	3.36	3.8	3.08	2.8		
Materials & Supplies	0.58	2.3	0.52	1.9	1.15	1.3	1.15	1.3	1.18	1.4	1.14	1.3	1.68	1.5		
Other Current Assets	0.00	0.0	0.07	0.3	0.05	0.1	0.02	0.0	0.90	1.1	1.69	1.9	0.69	0.6		
Total Current Assets	12.48	48.9	12.65	45.7	36.56	42.6	35.88	40.2	38.32	44.9	37.73	42.9	46.41	41.9		
Carrier Operating Property	29.13	114.1	27.97	101.0	72.42	84.3	71.35	80.0	84.62	99.2	82.45	93.7	101.87	92.0		
Reserve for Depreciation	18.76	73.5	17.75	64.1	41.59	48.4	38.50	43.1	47.23	55.3	43.87	49.8	49.52	44.7		
Carrier Operating Property Net	10.36	40.6	10.22	36.9	30.83	35.9	32.85	36.8	37.39	43.8	38.58	43.8	52.35	47.3		
Total Tangible Property	10.48	41.0	10.33	37.3	32.38	37.7	33.35	37.9	39.78	45.8	40.30	45.8	56.45	51.0		
Intangibles	0.64	2.5	2.45	8.8	1.36	1.6	4.28	4.8	2.95	3.5	4.40	5.0	1.94	1.8		
Other Assets	1.93	7.6	2.26	8.2	15.59	18.2	15.21	17.1	5.00	5.9	5.58	6.3	5.89	5.3		
Total Assets	25.53	100.0	27.69	100.0	85.89	100.0	89.23	100.0	85.34	100.0	88.00	100.0	110.69	100.0		
Liabilities & Equity																
Payables to Affiliates	2.13	8.3	1.95	7.0	1.82	2.1	2.13	2.4	3.55	4.2	1.61	1.8	0.69	0.6		
Notes Payable	0.78	3.1	1.17	4.2	1.43	1.7	1.72	1.9	4.78	5.6	3.53	4.0	1.45	1.3		
Accounts Payable	6.25	24.5	6.06	21.9	13.27	15.5	12.50	14.0	16.37	19.2	15.21	17.3	16.83	15.2		
Misc. Payables & Accruals	0.94	3.7	0.85	3.1	1.95	2.3	2.14	2.4	2.11	2.5	1.80	2.0	1.62	1.5		
Taxes Payable	0.53	2.1	0.39	1.4	1.21	1.4	1.39	1.6	0.52	0.6	0.91	1.0	0.63	0.6		
Funded Debt Due Within One Year	1.94	7.6	1.77	6.4	3.78	4.4	5.02	5.6	4.98	5.8	5.24	6.0	5.98	5.4		
Other Current Liabilities	2.29	9.0	2.61	9.4	5.03	5.9	5.44	6.1	5.95	7.0	5.88	6.7	2.60	2.4		
Total Current Liabilities	14.86	58.2	14.79	53.4	28.48	33.2	30.34	34.0	38.26	44.8	34.18	38.8	29.80	26.9		
Advances Payable	0.67	2.6	0.53	1.9	2.52	2.9	2.06	2.3	2.21	2.6	2.07	2.3	1.42	1.3		
Funded Debt Due After One Year	4.03	15.8	4.31	15.6	14.65	17.1	14.89	16.7	13.03	15.3	12.65	14.4	19.75	17.8		
Total Long Term Debt	4.70	18.4	4.84	17.5	17.17	20.0	16.95	19.0	15.23	17.9	14.71	16.7	21.17	19.1		
Total Funded Debt	5.97	23.4	6.08	22.0	18.43	21.5	19.91	22.3	18.01	21.1	17.89	20.3	25.73	23.2		
Reserves & Est Liabilities	0.24	0.9	0.30	1.1	0.39	0.5	0.29	0.3	0.31	0.4	0.24	0.3	0.25	0.2		
Accum. Deferred Tax Credits	0.10	0.4	0.28	1.0	1.13	1.3	0.84	0.9	0.59	0.7	0.69	0.8	2.22	2.0		
Other Liabilities	19.90	78.0	20.22	73.0	47.18	54.9	48.43	54.3	54.39	63.7	49.83	56.6	53.45	48.3		
Stockholder's Equity	5.63	22.0	7.47	27.0	38.71	45.1	40.79	45.7	30.95	36.3	38.17	43.4	57.24	51.7		
Total Capital	10.33	40.5	12.32	44.5	55.88	65.1	57.74	64.7	46.18	54.1	52.88	60.1	78.41	70.8		
Total Liabilities & Equity	25.53	100.0	27.69	100.0	85.89	100.0	89.23	100.0	85.34	100.0	88.00	100.0	110.69	100.0		
Analytical Data																
Operating Performance																
Gross Revenues to Equity	13.94	10.31	5.00	4.86	6.87	5.85	3.40	3.69	6.87	5.85	3.40	3.69	6.87	5.85		
Gross Revenues to Total Capital	7.60	6.25	3.47	3.43	4.61	4.22	2.48	2.86	4.61	4.22	2.48	2.86	4.61	4.22		
Gross Revenues to Net Carr Oper Prop	7.57	7.54	6.28	6.03	5.69	5.79	3.72	4.38	5.69	5.79	3.72	4.38	5.69	5.79		
Gross Revenues to Carr Oper Prop (Cost)	2.69	2.75	2.67	2.78	2.51	2.71	1.91	2.11	2.51	2.71	1.91	2.11	2.51	2.71		
Pre-Tax Income to Gross Revenues, %	0.26	0.57	1.47	3.47	1.75	0.56	4.26	6.12	1.75	0.56	4.26	6.12	1.75	0.56		
Pre-Tax Income to Total Capital, %	2.01	3.58	5.11	11.90	8.05	2.38	10.57	17.50	8.05	2.38	10.57	17.50	8.05	2.38		
After Tax Income to Gross Revenues, %	0.16	0.26	1.00	2.95	1.70	0.17	2.75	4.13	1.70	0.17	2.75	4.13	1.70	0.17		
After Tax Income to Equity, %	2.29	2.64	4.98	14.32	11.68	0.98	9.35	15.26	11.68	0.98	9.35	15.26	11.68	0.98		
Return on Transportation Investment, %	6.79	9.89	10.68	20.32	5.15	5.26	14.16	21.96	5.15	5.26	14.16	21.96	5.15	5.26		
Expense Ratio, %	109.50	99.93	99.22	97.08	102.16	99.92	96.24	94.68	102.16	99.92	96.24	94.68	102.16	99.92		
Operating Ratio, %	99.31	98.96	97.96	96.06	100.91	99.01	94.98	93.60	100.91	99.01	94.98	93.60	100.91	99.01		
Average Revenue Per Carrier	2.45	2.41	2.75	2.45	2.63	2.76	2.82	3.05	2.63	2.76	2.82	3.05	2.63	2.76		
Net Income Per Carrier	0.06	0.01	0.02	0.07	0.04	0.00	0.08	0.13	0.04	0.00	0.08	0.13	0.04	0.00		
Liquidity																
Cash Throw Off, Dollars	2.13	2.50	8.91	12.17	4.37	7.85	14.80	18.17	4.37	7.85	14.80	18.17	4.37	7.85		
Working Capital, Dollars	2.38	2.15	8.08	5.54	0.06	3.54	16.60	13.26	0.06	3.54	16.60	13.26	0.06	3.54		
Current Ratio	0.84	0.85	1.28	1.18	1.00	1.10	1.56	1.43	1.00	1.10	1.56	1.43	1.00	1.10		
Days Cash Oper Exp in Work Cap	11.43	10.57	16.09	10.97	0.10	6.04	34.31	25.64	0.10	6.04	34.31	25.64	0.10	6.04		
Average Days Collection Period	33.70	34.41	32.41	33.65	42.41	38.30	45.97	38.42	42.41	38.30	45.97	38.42	42.41	38.30		
Leverage & Debt Service																
Funded Debt to Equity	1.06	0.81	0.48	0.49	0.58	0.47	0.45	0.34	0.58	0.47	0.45	0.34	0.58	0.47		
Net Debt to Equity	1.14	0.86	0.17	0.23	0.42	0.24	0.05	0.03	0.42	0.24	0.05	0.03	0.42	0.24		
Funded Debt to Tangible Net Worth	1.20	1.21	0.49	0.55	0.64	0.53	0.47	0.37	0.64	0.53	0.47	0.37	0.64	0.53		
Cash Throw to Funded Debt Due in One Year, %	111.79	143.90	233.13	242.59	87.86	149.83	247.35	426.38	87.86	149.83	247.35	426.38	87.86	149.83		
Cash Throw to Total Funded Debt, %	36.38	41.90	47.81	61.14	24.29	43.91	57.52	94.10	24.29	43.91	57.52	94.10	24.29	43.91		
Interest to Total Funded Debt, %	15.65	12.24	13.06	10.13	14.81	11.43	9.55	11.71	14.81	11.43	9.55	11.71	14.81	11.43		
Carrier Property (Net) to Equity	1.84	1.37	0.80	0.81	1.21	1.01	0.91	0.84	1.21	1.01	0.91	0.84	1.21	1.01		
Additional Ratios																
Receivables to Payables	1.03	1.01	1.17	1.28	1.17	1.25	1.34	1.22	1.17	1.25	1.34	1.22	1.17	1.25		
Deprec to Debt Due in One Year	1.09	1.31	1.83	1.33	1.58	1.45	1.44	2.21	1.58	1.45	1.44	2.21	1.58	1.45		
Total Tang Prop to Equity	1.86	1.38	0.84	0.83	1.26	1.06	0.99	0.91	1.26	1.06	0.99	0.91	1.26	1.06		
Income Before Extra Items Etc to Equity, %	2.29	2.64	5.01	14.32	11.68	0.98	9.35	15.26	11.68	0.98	9.35	15.26	11.68	0.98		
Gross Revenues to Total Tang Prop	7.49	7.46	5.98	5.86	5.45	5.54	3.45	4.07	5.45	5.54	3.45	4.07	5.45	5.54		
Productivity Measures (Int-City Carr Only)																
Total Payroll to Revenues, %	43.69	45.25	35.55	35.49	37.76	38.56	33.09	34.71	37.76	38.56	33.09	34.71	37.76	38.56		
Total Payroll (WPT) to Revenues, %	48.77	49.53	50.15	49.37	53.39	53.88	43.81	45.45	53.39	53.88	43.81	45.45	53.39	53.88		
Cargo Handler Compen to Revenues, %	6.76															

5 Northwestern 20 1980				6 Middlewestern 24 1980				7 Southwestern 15 1980				8 Rocky Mountain 14 1980				9 Pacific 65 1980				Total All Regions 401 1980			
1979				1979				1979				1979				1979				1979			
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
51.76	100.0	48.01	100.0	63.49	100.0	58.85	100.0	47.15	100.0	41.28	100.0	35.88	100.0	48.65	100.0	168.25	100.0	166.43	100.0	1,045.95	100.0	1,072.19	100.0
1.55	3.0	1.43	3.0	2.41	3.8	2.19	3.7	1.67	3.5	1.48	3.6	0.97	2.7	1.37	2.8	5.27	3.1	5.01	3.0	37.42	3.6	37.47	3.5
14.15	27.3	12.09	25.2	7.43	11.7	6.37	10.8	9.13	19.4	7.90	19.1	9.92	27.6	9.63	19.8	32.44	19.3	33.46	20.1	169.25	16.2	168.86	15.7
50.79	98.1	46.48	96.8	61.53	96.9	56.55	96.1	43.67	92.6	37.83	91.6	34.31	95.6	50.02	102.8	162.53	96.6	160.81	96.6	1,019.96	97.5	1,036.38	96.7
0.97	1.9	1.53	3.2	1.96	3.1	2.30	3.9	3.48	7.4	3.45	8.4	1.57	4.4	1.37	2.8	5.71	3.4	5.62	3.4	25.98	2.5	35.81	3.3
0.94	1.8	0.78	1.6	0.67	1.1	0.53	0.9	0.59	1.2	0.42	1.0	0.24	0.7	0.92	1.9	2.28	1.4	1.64	1.0	13.10	1.3	11.36	1.1
0.24	0.5	0.88	1.8	1.52	2.4	1.82	3.1	2.95	6.2	2.58	6.3	2.16	6.0	1.91	3.9	7.94	4.7	6.62	4.0	22.44	2.1	35.25	3.3
0.40	0.8	0.35	0.7	0.40	0.6	0.39	0.7	0.87	1.8	0.87	2.1	0.57	1.6	0.44	0.9	2.74	1.6	2.21	1.3	8.00	0.8	10.95	1.0
0.08	0.2	0.08	0.2	0.05	0.1	0.06	0.1	0.06	0.1	0.08	0.2	0.09	0.3	0.00	0.0	0.04	0.0	0.06	0.0	1.36	0.1	0.75	0.1
0.01	0.0	0.02	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.08	0.0	0.05	0.0	0.13	0.0	0.85	0.1
0.25	0.5	0.42	0.9	1.08	1.7	1.37	2.3	2.02	4.3	1.64	4.0	1.49	4.2	1.47	3.0	5.08	3.0	4.40	2.6	13.20	1.3	24.41	2.3
0.22	0.4	0.06	0.1	0.80	1.3	0.03	0.1	0.30	0.6	0.00	0.0	0.18	0.5	0.18	0.4	0.48	0.3	0.12	0.1	11.52	1.1	0.13	0.0
0.47	0.9	0.37	0.8	0.28	0.4	1.34	2.3	1.71	3.6	1.64	4.0	1.31	3.7	1.29	2.6	4.60	2.7	4.52	2.7	1.68	0.2	24.28	2.3
2.42	11.9	1.84	9.1	1.72	7.0	1.65	7.0	2.14	11.8	2.04	12.8	1.42	5.4	1.21	3.6	9.36	9.8	6.66	7.6	47.19	9.6	44.46	9.0
0.22	1.1	0.17	0.9	0.40	1.6	0.49	2.1	0.14	0.8	0.17	1.0	0.10	0.4	0.17	0.5	11.07	11.6	10.20	11.6	24.57	5.0	23.08	4.7
5.01	24.6	4.89	24.2	6.99	28.5	6.59	27.8	4.51	24.8	4.10	25.6	3.18	12.0	13.36	39.5	20.10	21.1	20.08	22.8	113.44	23.0	120.13	24.3
0.67	3.3	1.00	4.9	0.56	2.3	0.63	2.7	0.25	1.4	0.23	1.4	0.14	0.5	0.16	0.5	3.06	3.2	3.25	3.7	15.58	3.2	15.27	3.1
0.31	1.5	0.22	1.1	0.22	0.9	0.15	0.6	0.16	0.9	0.12	0.8	0.17	0.6	0.16	0.5	0.99	1.0	0.91	1.0	6.44	1.3	5.73	1.2
0.06	0.3	0.08	0.4	0.05	0.2	0.03	0.1	0.01	0.1	0.02	0.1	0.11	0.4	0.03	0.1	0.24	0.3	0.50	0.6	2.12	0.4	2.70	0.5
8.69	42.7	8.19	40.6	9.93	40.6	9.55	40.3	7.20	39.7	6.68	41.8	4.92	18.6	15.10	44.6	44.82	47.0	41.59	47.2	209.33	42.5	211.37	42.8
16.39	80.6	15.85	78.4	24.18	98.7	21.74	91.8	18.13	99.9	15.60	97.6	9.45	35.8	9.06	26.7	54.54	57.2	52.32	59.4	410.72	83.4	395.87	80.1
7.83	38.5	7.28	38.0	11.32	46.2	9.64	40.7	8.56	47.2	7.47	46.7	5.22	19.8	4.58	13.5	30.23	31.7	28.42	32.2	220.26	44.7	208.96	42.3
8.56	42.1	8.57	42.4	12.86	52.5	12.10	51.1	9.57	52.7	8.13	50.8	4.23	16.0	4.48	13.2	24.31	25.5	23.91	27.1	190.46	38.7	186.91	37.8
8.74	43.0	8.76	43.3	13.22	54.0	12.42	52.4	9.60	52.9	8.13	50.8	4.24	16.1	4.49	13.3	40.24	42.2	37.83	42.9	214.41	43.6	207.77	42.1
1.92	9.4	2.29	11.3	0.45	1.8	0.96	4.1	0.52	2.9	0.77	4.8	0.19	0.7	0.52	1.5	0.67	0.7	1.18	1.3	10.65	2.2	21.39	4.3
0.99	4.9	0.96	4.8	0.89	3.6	0.76	3.2	0.82	4.5	0.41	2.5	17.05	54.6	13.76	40.6	9.71	10.2	7.54	8.6	57.87	11.8	53.39	10.8
20.34	100.0	20.21	100.0	24.49	100.0	23.69	100.0	18.15	100.0	15.99	100.0	26.40	100.0	33.86	100.0	95.44	100.0	83.13	100.0	492.26	100.0	493.92	100.0
0.45	2.2	0.72	3.6	0.84	3.4	0.97	4.1	0.30	1.7	0.01	0.1	0.93	3.5	0.89	2.6	7.88	8.3	7.70	8.7	18.59	3.8	16.95	3.4
0.18	0.9	0.18	0.9	1.16	4.7	1.48	6.2	0.47	2.6	0.60	3.7	0.56	2.1	0.53	1.6	1.65	1.7	1.75	2.0	12.47	2.5	13.65	2.8
3.66	18.0	3.13	15.5	3.80	15.5	3.20	13.5	2.73	15.1	2.47	15.4	1.42	5.4	6.19	18.3	11.78	12.3	11.88	13.5	76.12	15.5	76.05	15.4
3.18	15.6	3.00	14.9	1.00	4.1	0.94	3.9	0.52	2.9	0.49	3.1	0.65	2.5	0.61	1.8	2.19	2.3	2.36	2.7	14.17	2.9	14.23	2.9
0.32	1.6	0.22	1.1	0.23	1.0	0.19	0.8	0.30	1.6	0.43	2.7	0.23	0.9	1.67	4.9	1.31	1.4	1.44	1.6	5.27	1.1	9.03	1.8
0.97	4.8	0.96	4.7	0.91	3.7	0.84	3.5	1.47	8.1	1.42	8.9	0.27	1.0	0.34	1.0	3.22	3.4	3.15	3.6	23.52	4.8	23.00	4.7
1.03	5.1	0.94	4.7	1.21	5.0	1.25	5.3	0.37	2.0	0.36	2.2	0.88	3.3	1.19	3.5	3.60	3.8	3.61	4.1	22.97	4.7	24.30	3.9
9.80	48.2	9.16	45.3	9.16	37.4	8.86	37.4	6.16	33.9	5.78	36.2	4.95	18.7	11.43	33.8	31.63	33.1	31.90	36.2	173.10	35.2	177.21	35.9
3.87	19.0	3.25	16.1	0.82	3.3	1.27	5.4	0.00	0.0	0.00	0.0	13.90	52.7	11.47	33.9	4.06	4.3	3.00	3.4	29.48	6.0	25.21	5.1
6.57	32.3	6.65	32.9	4.99	20.4	3.64	15.4	2.81	15.5	2.85	17.8	0.56	2.1	1.36	4.0	17.49	18.3	15.29	17.3	83.87	17.0	76.69	15.5
10.44	51.3	9.90	49.0	5.80	23.7	4.91	20.7	2.81	15.5	2.85	17.8	14.46	54.8	12.83	37.9	21.56	22.6	18.29	20.7	113.35	23.0	101.90	20.6
7.54	37.1	7.61	37.6	5.90	24.1	4.48	18.9	4.28	23.6	4.28	26.7	0.83	3.2	1.71	5.0	20.71	21.7	18.44	20.9	107.40	21.8	99.69	20.2
0.15	0.7	0.11	0.6	0.03	0.1	0.07	0.3	0.01	0.1	0.01	0.1	0.07	0.3	0.01	0.0	0.47	0.5	0.30	0.3	1.92	0.4	1.57	0.3
0.50	2.4	0.43	2.1	0.46	1.9	0.37	1.5	0.29	1.6	0.23	1.4	0.31	1.2	0.86	2.5	0.76	0.8	0.82	0.9	6.35	1.3	7.05	1.4
20.88	102.6	19.59	97.0	15.45	63.1	14.20	60.0	9.28	51.1	8.87	55.5	19.79	75.0	25.13	74.2	54.41	57.0	51.31	58.2	294.73	59.9	287.74	58.3
0.53	2.6	0.61	3.0	9.03	36.9	9.48	40.0	8.87	48.9	7.12	44.5	6.60	25.0	8.73	25.8	41.02	43.0	36.82	41.8	197.53	40.1	206.19	41.7
9.90	48.7	10.51	52.0	14.84	60.6	14.40	60.8	11.69	64.4	9.97	62.3	21.06	79.8	21.56	63.7	62.58	65.6	55.11	62.5	310.88	63.2	306.09	62.4
20.34	100.0	20.21	100.0	24.49	100.0	23.69	100.0	18.15	100.0	15.99	100.0	26.40	100.0	33.86	100.0	95.44	100.0	88.13	100.0	492.26	100.0	493.92	100.0
Northwestern 1980				Middlewestern 1980				Southwestern 1980				Rocky Mountain 1980				Pacific 1980				All Regions 1980			
1979																							

a ratio of 11.46% in 1980 which was 17.2% lower than the industry's composite due to the group's lower profitability. During 1980, Group A & B maintained approximately the same reliance on purchased transportation as in 1979 (16.2% of gross revenues); whereas, net carrier operating property increased a modest 1.9%. This carrier property was 54% depreciated in 1980, which showed almost no change in age of equipment over 1979. Historically, this group has relied heavily on non-owned equipment. Due to the large drop in both tonnage and intercity miles, Group A & B did not require significant additional capacity.

Liquidity

Liquidity for Group A & B remained adequate in 1980 and in line with the industry's general freight composite. All liquidity measures for the group, with the exception of cash throw, improved in 1980 over the prior year. Cash throw for the group declined 16.1% due to decreased profitability. Individually, those carriers which increased their profitability during 1980, with the exception of the Rocky Mountain Region, also increased their cash throw. The Rocky Mountain Region decreased its cash throw, in spite of its slightly increased profitability, due to a large reduction in annual depreciation expense caused by one company's selling a large portion of its assets.

In a recessionary period, motor carriers typically improve their liquidity as their cash position increases due to a reduction in capital expenditures. All of the ICC regions, except the Northwestern Region, reported cash and receivables (excluding affiliate accounts) in excess of funded debt. In addition, working capital for the group improved 6.1% over the prior year; although, of concern are the New England, the Northwestern, and the Rocky

Mountain regions which showed negative working capital for 1980.

The New England, the Central, the Northwestern, and the Rocky Mountain regions had inadequate days of cash operating expenses in working capital although the group's days of cash operating expenses in working capital increased by approximately 1 day to 13.41 days in 1980. In addition, the average days collection period for the group decreased by slightly over 1 day to 39.6 days versus 31.9 days for the industry's general freight composite. Both the Central and the Southern regions should be carefully watched as their average days collection period increased by 4.11 days and 7.55 days, respectively.

Leverage and Debt Service

Historically, Group A & B has been the most highly leveraged and 1980 is no exception. Total funded debt increased 7.7%, while stockholder's equity decreased 4.2% due to decreased profitability and the write-off of operating authority.

Funded debt to equity deteriorated for the group by 12.5% to a ratio of .54 to 1 with only the Rocky Mountain Region comparing favorably to the industry's general freight composite ratio of .46 to 1. As in prior years, the New England and the Middlewestern regions were the most highly leveraged with funded debt to equity ratios of 1.06 to 1 and .65 to 1, respectively. The Northwestern Region reported the least equity as a percentage of total footings with a negative net worth due to an after-tax loss and a large operating authority write-off. These intangible assets in 1979 ranged anywhere from 3% of stockholder's equity in the Pacific Region to more than 100% of stockholder's equity in the Northwestern Region. During 1980, funded debt to tangible net worth (stockholders' equity excluding in-

tangibles which are primarily operating authority assets) deteriorated 6.5% to a ratio of .57 to 1. While the Economic Recovery Tax Act of 1981 has provided for a tax write-off of the operating authority intangibles, the marginally profitable carriers in Group A & B will find it difficult to absorb all of the provided tax benefits in future years.

The coverage of cash throw to funded debt due in one year is 2.2 times and is far below the industry's general freight composite of 4.4 times. Both Group A & B's and the industry's cash throw to funded debt ratios have been shrinking over the last several years. All regions, with the exception of the Rocky Mountain Region which decreased total funded debt during 1980, had cash throw to funded debt due in one year below the industry's general freight composite. The Central Region had the worst coverage at .9 to 1, in addition to the New England and the Northwestern regions which had inadequate ratios of 1.1 to 1 and 1.4 to 1, respectively.

As an additional test of leverage adequacy, Group A & B's annual depreciation expense was \$37.42 million compared to \$23.52 million of current funded debt. In all regions, annual depreciation expense more than covered the current maturities of funded debt. In addition, if cash throw were applied to total funded debt it would take the group a little less than 25 months to be completely out of debt.

In summary, Group A & B had a difficult year in terms of profitability. Liquidity and debt service remained adequate, although the measures of both compared unfavorably with the industry's general freight composite. Nevertheless, continued operating losses will reduce the ability of these small-to medium-size general freight carriers to obtain or even to retain the required capital to support their operating property.

Carrier Group C

Introduction

Group C consists of 320 Class I general freight carriers with annual gross operating revenues (including interstate and intrastate) of \$5 million or more from motor carrier operations. In 1980, Group C represented 93.9% of gross revenues and 95.3% of after-tax net income before operating authority write-offs generated by all general freight carriers included in this financial analysis.

For comparative purposes, this group has been segmented by average length of haul (ALOH). The short-haul carriers are those whose ALOH is 250 miles and under represented by the intra-regional carrier; while the long-haul carriers are those whose ALOH is 251 miles and over represented by the inter-regional and, in certain cases, the transcontinental carriers. In addition, Group C has been further segmented into the following revenue groups:

Group C-1 consists of 98 general freight carriers with annual revenues between \$5 and \$10 million.

Group C-2 consists of 222 general freight carriers with annual revenues in excess of \$10 million. All of the 21 publicly-held common carriers analyzed in Group E have also been included in this group (non-motor carrier operations for Group E carriers have been excluded in the financial data).

Historically, Group C has been the most financially strong and the best capitalized. This group is expected to demonstrate superior operating performance and maintain a solid capital structure due to some economies of scale and the ability to attract sophisticated management. Rather than review the overall general

freight carriers composite data, this section concentrates on variations dependent upon the average length of haul for the two revenue groups.

In Group C as in all sections of this analysis, 1980's profitability ratios excluded the operating authority write-offs from net income for comparability to 1979's net income; whereas, the balance sheet items (equity and assets) reflect the operating authority write-offs. While this would appear to understate the equity portion of the balance sheet in view of the tax benefits now allowed by the 1981 Economic Recovery Tax Act, it does reflect the weakened financial position of the motor carriers as reported for book purposes in 1980. In addition, the general freight carriers are identical with 1979 to ensure comparability of analysis.

Group C-1

Operating Performance

Gross revenues for the 98 medium-size carriers increased 3.7% to \$681 million with operating performance varying between the short-haul carriers (250 miles and under) and the long-haul carriers (251 miles and over). For the short-haul carriers, total tons decreased 3.9%, total miles decreased 5.2%, and average load decreased 7.3% due to the sluggish economy; while revenues per ton-mile increased 15.5% due in part to freight rate increases. For the long-haul carriers, total miles increased 3.9% and average load increased 8.8%; while, total tons decreased 21.8% and revenues per ton miles decreased 3.7%.

Group C-1 had the worst operating ratio (97.78%) of all the general freight carrier groups. The short-haul carriers had the most difficult time with an operating ratio of 98.34% which had increased 82 basis points over 1979; whereas, the long-haul

carriers had one of the best operating ratios of all Class I general freight carriers at 95.41%, a significant 147 basis point improvement over 1979. One reason that the medium-size long-haul carriers are able to maintain their low operating ratio is due to their increased reliance on non-owned transportation equipment.

During 1980, the high cost of funds had the least effect on these medium-size carriers due to a 9.8% drop in total funded debt. Interest expense for Group C-1 increased only 8.6% in spite of unprecedented interest rates throughout 1980. Total funded debt decreased for both short-haul and long-haul carriers in this group; although, interest expense increased by 15.5% for the short-haul carriers. Obviously, the medium-size short-haul carriers were forced to borrow funds at extremely high interest rates. The prime rate at the end of 1980 was at the unprecedented level of 21.5%.

With tonnage down and total expenses up, profitability for Group C-1 deteriorated 37.1% to a 1.0% after-tax before operating authority write-off return on gross revenues. The group's average masks the wide range of profitability between the short-haul and long-haul carriers.

The short-haul carriers with increases in both their operating ratio and interest expense reported after-tax return on gross revenues of a meager .63% (before operating authority write-offs), a 65.7% decrease over 1979. Comparatively, the long-haul carriers with decreases in both their operating ratio and interest expenses reported a 2.59% after-tax return on gross revenues (before operating au-

Combined Carrier Group C

Carriers with Revenues between \$5,000,000 and \$10,000,000

Carriers with Revenues over \$10,000,000

Average Length of Haul
Number of Carriers
Year

250 Miles and Under
80
1980 1979

251 Miles and Over
18
1980 1979

Sub-Total, Group C-1
98
1980 1979

250 Miles and Under
96
1980 1979

Income Statement

	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Income & Expense Data														
Gross Revenues	550.59	100.0	536.51	100.0	130.15	100.0	119.90	100.0	680.74	100.0	656.41	100.0	2,726.81	100.0
Depreciation	18.25	3.3	17.34	3.2	3.67	2.8	3.37	2.8	21.92	3.2	20.71	3.2	97.52	3.5
Purchased Transportation	67.59	12.3	66.44	12.4	43.98	33.8	38.52	32.1	111.57	16.4	104.96	16.0	245.06	9.0
Total Operating Expenses	541.46	98.3	523.19	97.5	124.18	95.4	116.17	96.9	665.64	97.8	639.36	97.4	2,649.72	97.2
Net Carrier Operating Income	9.13	1.7	13.32	2.5	5.97	4.6	3.74	3.1	15.10	2.2	17.06	2.6	77.09	2.8
Interest Expense	5.91	1.1	5.12	1.0	1.43	1.1	1.64	1.4	7.34	1.1	6.76	1.0	32.24	1.2
Net Income Before Taxes	6.21	1.1	14.79	2.8	5.21	4.0	1.38	1.2	11.42	1.7	16.17	2.5	47.78	1.8
Income Taxes—Current	2.80	0.5	4.99	0.9	1.79	1.4	0.87	0.7	4.59	0.7	5.86	0.9	18.71	0.7
Deferred Income Taxes	0.10	0.0	0.33	0.1	0.06	0.0	0.12	0.1	0.15	0.0	0.21	0.0	3.38	0.1
Equity in Earnings of Affil	0.13	0.0	0.32	0.1	0.00	0.0	0.01	0.0	0.13	0.0	0.33	0.0	4.50	0.2
Income Before Extra Items	3.44	0.6	9.79	1.8	3.37	2.6	0.64	0.5	6.81	1.0	10.43	1.6	30.19	1.1
Extraordinary Items	4.92	0.9	0.41	0.1	1.78	1.4	0.00	0.0	6.69	1.0	0.41	0.1	44.66	1.6
Net Income After Taxes	1.47	0.3	10.20	1.9	1.59	1.2	0.64	0.5	0.12	0.0	10.84	1.7	14.47	0.5

Balance Sheet

Assets														
Cash	19.17	9.4	18.39	8.9	3.94	9.3	3.61	8.8	23.11	9.4	22.00	8.9	99.65	8.4
Receivables from Affiliates	1.96	1.0	1.04	0.5	0.77	1.8	0.31	0.8	2.73	1.1	1.35	0.5	58.91	4.9
Notes & Accounts Receivable	52.20	25.7	52.64	25.5	11.68	27.6	9.10	22.1	63.89	26.0	61.74	25.0	229.07	19.2
Prepaid Expenses	5.70	2.8	6.01	2.9	1.98	4.7	1.25	3.0	7.68	3.1	7.27	2.9	33.66	2.8
Materials & Supplies	4.88	2.4	4.57	2.2	0.76	1.8	0.87	2.1	5.64	2.3	5.44	2.2	32.31	2.7
Other Current Assets	0.92	0.5	0.45	0.2	0.07	0.2	0.08	0.2	1.00	0.4	0.54	0.2	4.02	0.3
Total Current Assets	84.83	41.7	83.10	40.3	19.21	45.5	15.22	37.0	104.04	42.4	98.33	39.7	457.61	38.4
Carrier Operating Property	202.58	99.6	192.88	93.5	43.37	102.6	41.73	101.4	245.95	100.1	234.62	94.8	1,176.34	98.8
Reserve for Depreciation	110.31	54.3	99.37	48.2	23.88	56.5	21.33	51.9	134.19	54.6	120.70	48.8	601.17	50.5
Carrier Operating Property Net	92.27	45.4	93.52	45.3	19.49	46.1	20.40	49.6	111.75	45.5	113.91	46.0	575.17	48.3
Total Tangible Property	98.40	48.4	100.35	48.7	19.91	47.1	20.79	50.5	118.31	48.2	121.14	49.0	590.54	49.6
Intangibles	4.46	2.2	7.48	3.5	0.39	0.9	2.28	5.5	4.85	2.0	9.75	3.9	16.00	1.3
Other Assets	15.64	7.7	15.33	7.4	2.75	6.5	2.85	6.9	18.39	7.5	18.19	7.4	126.09	10.6
Total Assets	203.33	100.0	206.27	100.0	42.26	100.0	41.14	100.0	245.59	100.0	247.41	100.0	1,190.23	100.0
Liabilities & Equity														
Payables to Affiliates	3.62	1.8	3.59	1.7	2.93	6.9	2.52	6.1	6.56	2.7	6.11	2.5	47.00	3.9
Notes Payable	6.27	3.1	3.74	1.8	1.44	3.4	1.17	2.9	7.71	3.1	4.92	2.0	10.22	0.9
Accounts Payable	31.14	15.3	31.92	15.5	6.25	14.8	6.06	14.7	37.39	15.2	37.99	15.4	119.95	10.1
Misc. Payables & Accruals	5.61	2.8	5.91	2.9	1.46	3.5	1.41	3.4	7.07	2.9	7.32	3.0	31.13	2.6
Taxes Payable	4.02	2.0	4.32	2.1	0.96	2.3	0.61	1.5	4.98	2.0	4.92	2.0	11.93	1.0
Funded Debt Due Within One Year	13.39	6.6	14.01	6.8	2.71	6.4	2.59	6.3	16.10	6.6	16.60	6.7	36.65	3.1
Other Current Liabilities	15.13	7.4	13.44	6.5	2.47	5.8	2.50	6.1	17.60	7.2	15.94	6.4	106.84	9.0
Total Current Liabilities	79.19	38.9	76.93	37.3	18.23	43.1	16.86	41.0	97.41	39.7	93.79	37.9	363.70	30.6
Advances Payable	2.65	1.3	2.41	1.2	1.59	3.8	1.75	4.3	4.24	1.7	4.16	1.7	77.96	6.5
Funded Debt Due After One Year	31.11	15.3	34.66	16.8	6.17	14.6	7.88	19.2	37.29	15.2	42.54	17.2	174.79	14.7
Total Long Term Debt	33.76	16.6	37.07	18.0	7.75	18.4	9.63	23.4	41.53	16.9	46.70	18.9	252.75	21.2
Total Funded Debt	44.50	21.9	48.67	23.6	8.88	21.0	10.47	25.4	53.38	21.7	59.14	23.9	211.44	17.8
Reserves & Est Liabilities	9.60	0.3	0.50	0.2	0.17	0.4	0.16	0.4	0.77	0.3	0.66	0.3	14.18	1.2
Accum Deferred Tax Credits	4.33	2.1	3.98	1.9	1.19	2.8	1.14	2.8	5.52	2.2	5.12	2.1	46.13	3.9
Total Liabilities	117.88	58.0	118.47	57.4	27.35	64.7	27.79	67.5	145.23	59.1	146.26	59.1	676.75	56.9
Stockholder's Equity	85.45	42.0	87.79	42.6	14.91	35.3	13.35	32.5	100.36	40.9	101.14	40.9	513.48	43.1
Total Capital	119.21	58.6	124.87	60.5	22.68	53.7	22.98	55.9	141.89	57.8	147.85	59.8	766.22	64.4
Total Liabilities & Equity	203.33	100.0	206.27	100.0	42.26	100.0	41.14	100.0	245.59	100.0	247.41	100.0	1,190.23	100.0

Analytical Data

	250 Miles and Under 1980	250 Miles and Under 1979	251 Miles and Over 1980	251 Miles and Over 1979	Sub-Total Group C-1 1980	Sub-Total Group C-1 1979	250 Miles and Under 1980	250 Miles and Under 1979
Operating Performance								
Gross Revenues to Equity	6.44	6.11	8.73	8.98	6.78	6.49	5.31	4.93
Gross Revenues to Total Capital	4.62	4.30	5.74	5.22	4.80	4.44	3.56	3.38
Gross Revenues to Net Carr Oper Prop	5.97	5.74	6.68	5.88	6.09	5.70	4.74	4.81
Gross Revenues to Carr Oper Prop (Cost)	2.72	2.78	3.00	2.87	2.77	2.80	2.32	2.45
Pre-Tax Income to Gross Revenues, %	1.13	2.76	4.00	1.15	1.68	2.46	1.75	2.62
Pre-Tax Income to Total Capital, %	5.21	11.85	22.98	6.00	8.05	10.94	6.24	8.86
After Tax Income to Gross Revenues, %	0.63	1.82	2.59	0.53	1.00	1.59	1.11	1.93
After Tax Income to Equity, %	4.03	11.15	22.56	4.78	6.78	10.31	5.88	9.51
Return on Transportation Investment, %	9.32	13.36	29.17	19.91	12.76	14.40	11.52	13.41
Expense Ratio, %	99.42	98.47	96.51	98.25	98.86	98.43	98.36	97.73
Operating Ratio, %	98.34	97.52	95.41	96.88	97.78	97.40	97.17	96.69
Average Revenue Per Carrier	6.88	6.71	7.23	6.66	6.95	6.70	28.40	28.26
Net Income Per Carrier	0.04	0.12	0.15	0.04	0.07	0.11	0.31	0.54
Liquidity								
Cash Throw Off, Dollars	21.66	27.14	7.09	3.88	28.76	31.03	126.59	138.83
Working Capital, Dollars	5.65	6.17	0.98	1.64	6.63	4.54	93.90	105.05
Current Ratio	1.07	1.08	1.05	0.90	1.07	1.05	1.26	1.32
Days Cash Oper Exp in Work Cap	3.92	4.45	2.98	5.29	3.75	2.67	13.39	15.11
Average Days Collection Period	34.61	35.81	32.76	27.70	34.25	34.33	30.66	29.63
Leverage & Debt Service								
Funded Debt to Equity	0.52	0.55	0.60	0.78	0.53	0.58	0.41	0.41
Net Debt to Equity	0.30	0.32	0.35	0.71	0.31	0.38	0.16	0.15
Funded Debt to Tangible Net Worth	0.55	0.61	0.61	0.95	0.56	0.65	0.43	0.46
Cash Throw to Funded Debt Due in One Year, %	161.82	193.73	261.81	150.23	178.65	186.96	345.39	361.54
Cash Throw to Total Funded Debt, %	48.68	55.76	79.85	37.11	53.87	52.46	59.87	61.86
Interest to Total Funded Debt, %	13.29	10.52	16.09	15.66	13.76	11.43	15.25	12.58
Carrier Property (Net) to Equity	1.08	1.07	1.31	1.53	1.11	1.13	1.12	1.03
Additional Ratios								
Receivables to Payables	1.40	1.48	1.52	1.26	1.42	1.44	1.76	1.74
Deprec to Debt Due in One Year	1.36	1.24	1.36	1.30	1.36	1.25	2.66	2.39
Total Tang Prop to Equity	1.15	1.14	1.34	1.56	1.18	1.20	1.15	1.05
Income Before Extra Items Etc to Equity, %	4.03	11.15	22.56	4.78	6.78	10.31	5.89	9.50
Gross Revenues to Total Tang Prop	5.60	5.35	6.54	5.77	5.75	5.42	4.62	4.70
Productivity Measures (Int-City Carr Only)								
Total Payroll to Revenues, %	39.29	40.24	22.11	24.56	35.50	36.93	42.35	42.91
Total Payroll (WPT) to Revenues, %	51.90	52.83	55.91	56.69	52.79	53.64	51.73	53.03
Cargo Handler Compen to Revenues, %	6.58	7.16	2.92	3.66	5.77	6.42	7.71	8.02
Linehaul Expenses to Revenues, %	31.05	31.35	56.74	55.96	36.72	36.55	33.23	33.31
Revenue Per Ton-Mile, Cents	31.41	27.20	9.36	9.72	20.55	19.67	30.14	25.60
Average Load, Tons	9.04	9.75	15.44	14.18	11.36	11.27	9.70	10.20
Total Tons, Thous	11,452.41	11,911.12	2,750.53	3,515.76	14,202.94	15,426.88	43,836.08	52,954.46
Total Miles, Thous	156,110.96	164,738.32	89,015.33	85,687.51	245,126.29	250,425.83	801,413.11	904,121.34

Dollar Amounts in Millions

251 Through 500 Miles				501 Through 750 Miles				751 Miles and Over				Total Carriers with Gross Revenues Over \$10,000,000 Subtotal Group C-2				Total Carriers with Gross Revenues Over \$5,000,000 Combined Group			
73		1979		27		1979		26		1979		222		1979		320		1979	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
3,628.77	100.0	3,500.12	100.0	3,844.51	100.0	3,453.16	100.0	5,175.46	100.0	4,989.74	100.0	15,375.55	100.0	14,655.54	100.0	16,056.29	100.0	15,311.95	100.0
132.25	3.6	122.36	3.5	148.99	3.9	123.60	3.6	213.51	4.1	203.41	4.1	592.27	3.9	541.22	3.7	614.19	3.8	561.93	3.7
456.73	12.6	433.78	12.4	479.09	12.5	482.80	14.0	431.71	8.3	402.59	8.1	1,612.59	10.5	1,580.62	10.8	1,724.16	10.7	1,685.58	11.0
3,491.68	96.2	3,351.91	95.8	3,752.07	97.6	3,339.07	96.7	4,927.39	95.2	4,798.14	96.2	14,820.86	96.4	14,111.87	96.3	15,486.50	96.5	14,751.23	96.3
137.08	3.8	148.21	4.2	92.45	2.4	114.09	3.3	248.07	4.8	191.60	3.8	554.68	3.6	543.66	3.7	569.79	3.5	560.72	3.7
50.99	1.4	36.58	1.0	59.09	1.5	45.34	1.3	50.44	1.0	39.54	0.8	192.76	1.3	149.70	1.0	200.10	1.2	156.46	1.0
104.08	2.9	131.86	3.8	39.89	1.0	72.60	2.1	227.03	4.4	179.81	3.6	418.78	2.7	455.31	3.1	430.20	2.7	471.48	3.1
36.72	1.0	39.95	1.1	5.25	0.1	14.27	0.4	74.24	1.4	46.65	0.9	134.92	0.9	124.98	0.9	139.51	0.9	130.84	0.9
7.66	0.2	8.03	0.2	6.70	0.2	6.13	0.2	19.31	0.4	23.23	0.5	37.04	0.2	38.13	0.3	37.20	0.2	38.35	0.3
2.29	0.1	2.33	0.1	3.38	0.1	3.42	0.1	3.13	0.1	15.30	0.3	8.72	0.1	27.14	0.2	8.84	0.1	27.47	0.2
57.42	1.6	86.19	2.5	31.31	0.8	57.80	1.7	140.82	2.7	125.37	2.5	259.75	1.7	321.68	2.2	266.56	1.7	332.11	2.2
104.18	2.9	1.09	0.0	141.67	3.7	0.03	0.0	201.83	3.9	0.00	0.0	492.34	3.2	2.59	0.0	499.03	3.1	3.01	0.0
46.75	1.3	87.28	2.5	110.36	2.9	57.77	1.7	61.01	1.2	125.37	2.5	232.59	1.5	324.27	2.2	232.47	1.4	335.11	2.2
110.76	7.1	96.84	6.1	66.24	4.1	48.75	3.3	348.56	14.6	235.46	9.4	625.21	9.3	466.15	6.9	648.32	9.3	488.14	7.0
67.07	4.3	30.08	1.9	27.16	1.7	10.27	0.7	17.45	0.7	21.28	0.9	170.59	2.5	119.58	1.8	173.32	2.5	120.93	1.7
334.85	21.4	316.47	20.0	338.68	21.0	283.89	19.2	412.67	17.3	416.42	16.6	1,315.28	19.5	1,236.98	18.3	1,379.16	19.7	1,298.72	18.6
46.70	3.0	47.71	3.0	76.40	4.7	61.49	4.2	90.98	3.8	89.79	3.6	247.74	3.7	230.98	3.4	255.42	3.6	238.24	3.4
37.22	2.4	35.89	2.3	40.03	2.5	35.47	2.4	70.25	2.9	73.18	2.9	179.80	2.7	174.23	2.6	185.44	2.6	179.67	2.6
12.26	0.8	6.63	0.4	11.15	0.7	7.55	0.5	14.60	0.6	8.16	0.3	42.02	0.6	27.27	0.4	43.02	0.6	27.81	0.4
608.85	38.8	533.62	33.7	559.66	34.7	447.42	30.3	954.52	40.0	844.29	33.7	2,580.64	38.2	2,255.19	33.4	2,684.58	38.4	2,353.51	33.6
1,451.15	92.6	1,393.63	88.1	1,633.85	101.4	1,373.86	92.9	2,116.86	88.7	2,051.44	82.0	6,378.20	94.4	5,924.78	87.8	6,624.15	94.6	6,159.40	88.0
674.44	43.0	616.31	38.9	736.52	45.7	612.12	41.4	919.90	38.6	820.27	32.8	2,932.04	43.4	2,590.41	38.4	3,066.23	43.8	2,711.12	38.7
776.71	49.6	777.33	49.1	897.33	55.7	761.74	51.5	1,196.96	50.2	1,231.17	49.2	3,446.16	51.0	3,334.37	49.4	3,557.92	50.8	3,448.28	49.3
789.97	50.4	793.54	50.1	909.19	56.5	772.30	52.2	1,217.14	51.0	1,253.27	50.1	3,506.83	51.9	3,396.34	50.3	3,625.14	51.8	3,517.48	50.3
21.45	1.4	111.53	7.0	8.13	0.5	117.91	8.0	1.86	0.1	197.73	7.9	47.44	0.7	485.93	7.2	52.29	0.7	495.68	7.1
147.16	9.4	143.97	9.1	133.60	8.3	140.59	9.5	211.70	8.9	207.95	8.3	618.55	9.2	612.11	9.1	636.94	9.1	630.30	9.0
1,567.43	100.0	1,582.66	100.0	1,610.58	100.0	1,478.21	100.0	2,385.21	100.0	2,503.23	100.0	6,753.46	100.0	6,749.57	100.0	6,999.05	100.0	6,996.97	100.0
49.04	3.1	17.76	1.1	40.56	2.5	8.28	0.6	17.89	0.8	10.38	0.4	154.49	2.3	57.93	0.9	161.05	2.3	64.04	0.9
20.83	1.3	3.66	0.2	0.26	0.0	1.95	0.1	8.07	0.3	2.12	0.1	39.38	0.6	14.16	0.2	47.09	0.7	19.07	0.3
156.51	10.0	152.88	9.7	142.89	8.9	136.55	9.2	207.19	8.7	215.76	8.6	626.54	9.3	625.13	9.3	663.93	9.5	663.12	9.5
42.72	2.7	41.13	2.6	49.91	3.1	50.98	3.4	73.75	3.1	63.63	2.5	197.50	2.9	186.51	2.8	204.57	2.9	193.83	2.8
20.99	1.3	18.20	1.2	32.63	2.0	27.60	1.9	71.14	3.0	47.56	1.9	136.68	2.0	105.42	1.6	141.66	2.0	110.34	1.6
59.88	3.8	55.46	3.5	55.18	3.4	36.15	2.4	28.66	1.2	35.91	1.4	180.37	2.7	165.93	2.5	196.47	2.8	182.52	2.6
136.17	8.7	125.56	7.9	204.21	12.7	161.40	10.9	284.07	11.9	262.60	10.5	731.29	10.8	645.27	9.6	748.88	10.7	661.21	9.4
486.14	31.0	414.65	26.2	525.63	32.6	422.92	28.6	690.78	29.0	637.96	25.5	2,066.25	30.6	1,800.35	26.7	2,163.66	30.9	1,894.14	27.1
71.90	4.6	61.10	3.9	204.27	12.7	107.40	7.3	104.02	4.4	151.90	6.1	458.15	6.8	386.19	5.7	462.40	6.6	390.35	5.6
239.70	15.3	279.85	17.7	306.54	19.0	302.34	20.5	296.44	12.4	339.17	13.5	1,017.47	15.1	1,107.40	16.4	1,054.75	15.1	1,149.94	16.4
311.60	19.9	340.95	21.5	510.81	31.7	409.74	27.7	400.46	16.8	491.07	19.6	1,475.62	21.8	1,493.59	22.1	1,517.15	21.7	1,540.29	22.0
299.59	19.1	335.31	21.2	361.71	22.5	338.49	22.9	325.10	13.6	375.08	15.0	1,197.84	17.7	1,273.33	18.9	1,251.22	17.9	1,332.47	19.0
21.43	1.4	19.80	1.3	35.58	2.2	19.37	1.3	49.54	2.1	47.94	1.9	120.73	1.8	102.11	1.5	121.50	1.7	102.77	1.5
85.20	5.4	80.59	5.1	104.80	5.5	93.42	6.3	178.21	7.5	159.36	6.4	414.34	6.1	377.12	5.6	419.86	6.0	382.24	5.5
904.37	57.7	856.00	54.1	1,176.82	73.1	945.46	64.0	1,318.99	55.3	1,336.33	53.4	4,076.94	60.4	3,773.17	55.9	4,222.17	60.3	3,919.44	56.0
663.06	42.3	726.66	45.9	433.76	26.9	532.75	36.0	1,066.22	44.7	1,166.90	46.6	2,676.52	39.6	2,976.39	44.1	2,776.89	39.7	3,077.54	44.0
974.66	62.2	1,067.61	67.5	944.57	58.6	942.49	63.8	1,466.69	61.5	1,657.97	66.2	4,152.14	61.5	4,469.98	66.2	4,294.03	61.4	4,617.83	66.0
1,567.43	100.0	1,582.66	100.0	1,610.58	100.0	1,478.21	100.0	2,385.21	100.0	2,503.23	100.0	6,753.46	100.0	6,749.57	100.0	6,999.05	100.0	6,996.97	100.0
251 Through 500 Miles				501 Through 750 Miles				751 Miles and Over				Over \$10,000,000				Over \$5,000,000			
1980		1979		1980		1979		1980		1979		1980		1979		1980		1979	
5.47	4.82			8.86	6.48			4.85	4.28			5.74	4.92			5.78	4.98		
3.72	3.28			4.07	3.66			3.53	3.01			3.70	3.28			3.74	3.32		
4.67	4.50			4.28	4.53			4.32	4.05			4.46	4.40			4.51	4.44		
2.50	2.51			2.35	2.51			2.44	2.43			2.41	2.47						

thority write-offs), an improvement of 3.9 times over 1979. The medium-size short-haul carriers have had, it appears, a more difficult time dealing with increased competition from deregulation and the sluggish economy than have the medium-size long-haul carriers.

Group C-1's return on equity at 6.78% was down 34.2% over 1979 and compared unfavorably with the composite ratio for all general freight carriers studied in this analysis. The write-off of operating authority intangibles represented slightly less than 6.2% of 1980's stockholder's equity excluding the operating authority writeoffs; therefore, the operating authority write-offs had only a minor effect on both the return on equity ratio and the balance sheet presentation for these medium-size carriers. Equity as a percentage of total footings was unchanged from 1979.

Comparing the medium-sized carriers' return on equity to all general freight carriers studied in this analysis, the short-haul carriers had the worst performance, at a ratio of 4.03%, while the long-haul carriers had the best performance at a ratio of 22.56%.

The weak economy and low traffic levels caused Group C-1 to be extremely cautious in adding new revenue equipment. The group's carrier property was 55% depreciated in 1980 which showed an 8% increase in age of equipment over 1979 and represented older equipment as compared to the industry's general freight composite. In addition, it has become in-

creasingly difficult for these medium-size carriers to finance the replacement or the growth of revenue equipment as profitability continues to fall and interest rates continue to rise.

Historically, Group C-1 has relied the most heavily on non-owned equipment. The long-haul carriers in this group had the highest reliance on purchased transportation, more than 3 times higher than the general freight composite. This reliance on purchased transportation has allowed the long-haul carriers to decrease their funded debt on carrier property and thus reduce the associated interest and operating expenses.

Liquidity

Although the group's liquidity position (with the exception of cash throw) showed improvement over 1979, all liquidity measures for Group C-1 compared unfavorably in relation to the general freight composite. Cash throw dropped 7.3% for the group due to decreased profitability; although, working capital increased 46.2% primarily due to the long-haul carriers increased net receivables on an increased sales base. Group C-1 maintained cash balances that were 1.44 times funded debt due within one year. The overall current ratio increased slightly to 1.07%. More importantly, the days cash operating expenses in working capital ratio was inadequate at 3.75 days, a significant 9 days less than that of the general freight composite. In addition, the average days collection period was 34.25 days, more than 2 days longer in relation

to the composite. Liquidity did not differ significantly between the ALOH for this group, although the short-haul carriers had a slightly better liquidity position.

Leverage and Debt Service

Group C-1 has maintained a higher leveraged position in relation to the general freight composite, although the group has shown some improvement over the prior year. Funded debt to tangible net worth decreased 13.6% to a group ratio of .56 to 1. Total funded debt decreased 9.8%, while tangible net worth increased 4.5%. In addition, net debt to equity has decreased 18.7% to a ratio of .31 to 1. Net debt to equity excludes working capital which had increased 46.2% over 1979.

Again, there was a wide variation among the ALOH categories leveraged position. Both the short-haul and long-haul carriers compared unfavorably to the general freight composite's leveraged position; although, the short-haul carriers maintained the stronger balance sheet. Funded debt to tangible net worth was .55 to 1 for the short-haul carriers and .61 to 1 for the long-haul carriers; in addition, net debt to equity was .30 to 1 for the short-haul carriers and .35 to 1 for the long-haul carriers.

Group C-1 had the worst debt coverage of all general freight carriers studied in this financial analysis. Cash throw to cur-

rent funded debt was 1.8 times for the group as compared to the composite's debt service of 4.4 times. The long-haul carriers reported adequate coverage of current funded debt at 2.6 times due to their higher profitability in relation to the short-haul carriers' minimum current funded debt coverage of 1.6 times. Cash throw to total funded debt increased significantly for the long-haul carriers to .80 to 1 in 1980 from .37 to 1 in 1979; while, the short-haul carriers decreased their cash throw to total funded debt to .49 to 1 in 1980 from .56 to 1 in 1979. If all cash throw could be applied to total funded debt, Group C-1's short-haul carriers could repay this debt in slightly less than 25 months, while the long-haul carriers could repay this debt in 15 months.

In summary, the medium-size (revenues between \$5 million and \$10 million) general freight carriers had the most difficult time of all the common carriers studied in this financial analysis. Although the ALOH categories within this revenue group had a wide range of results during 1980, the overall group experienced the worst profitability and the least liquidity as compared to both the small common carriers of Group A & B and the large common carriers of Group C-2. In addition, Group C-1 had an adequate but highly leveraged position. Low traffic levels and solid competition from the larger, better capitalized common carriers have placed this group in an increasingly difficult position. To ensure future success, the medium-size general freight carriers need to find a market where they have a distinct competitive advantage over both the small regional common carriers and the large, highly capitalized, and well managed inter-regional common carriers.

Group C-2

Operating Performance

Revenues for the 222 large general freight carriers increased 4.9% to \$15.38 billion with operating performance varying between the ALOH categories. For the group, total tons decreased 14.1%, total miles decreased 8.0%, and the average load decreased 1.9% due to the sluggish economy; while revenues per ton-miles increased 16.2% due in part to across the board freight rate increases which were granted to offset the effect of inflation and in part to a better freight mix. All the ALOH categories within Group C-2 followed a similar pattern of decreased total tons, decreased total miles, decreased average loads, and increased revenues per ton miles.

Group C-2 had the best operating ratio (96.39%) of all the common carrier groups studied in this analysis, a modest 10 basis point increase over 1979. Despite rising labor and fuel costs, the longest (751 miles and over) ALOH carriers maintained the lowest operating ratio within Group C-2 at 95.21%, a 95 basis point decrease over 1979; while, the 501-750 miles category reported the poorest performance of the group with an operating ratio of 97.6%, a 90 basis point increase over 1979.

Despite a 6.0% drop in total funded debt, unprecedented interest rate levels increased interest expense a significant 28.8% for this group. All the ALOH categories within this revenue group with the

exception of the 501-750 miles carriers decreased their funded debt during 1980; nonetheless, the increase in interest expense ranged from 14.2% for the 250 miles and under ALOH carriers to 39.4% for the 251-500 miles ALOH carriers.

Group C-2's after-tax (before operating authority write-offs) return on gross revenues decreased 23.0% over 1979 to a ratio of 1.69% primarily due to increased interest costs; nonetheless, the longest (751 miles and over) category reported an increase of 8.3% in their profitability for a ratio of 2.72%. Despite escalating interest costs, the long-haul (751 miles and over) carriers were able to maintain a tight control over operating expenses with an expense ratio of 96.18%, 77 basis points better than 1979. In contrast, the 501-750 miles ALOH carriers were the least efficient reporting a 51.3% decrease in profitability for a ratio of .83%. The 250 miles and under category reported profitability of 1.11% and the 251-500 miles category reported profitability of 1.58%.

The write-down of \$492.34 million of operating authority intangibles for Group C-2 represented 15.5% of 1980's total stockholder's equity excluding the operating authority write-offs. Although after-tax net income (before operating authority write-offs) dropped 19.3%, return on equity decreased only 10.2% to a ratio of 9.7% due to write-offs of intangibles. Equity as a percentage of total footings for the group dropped from 44.1% in 1979

to 39.6% in 1980. The 501-750 miles ALOH carriers had the largest deterioration in equity due to a combination of a 45.8% drop in after-tax net income (before operating authority write-offs) and the write down of \$141.67 million of operating authority intangibles. This category's equity as a percentage of total footings dropped from 36.0% in 1979 to 26.9% in 1980.

Despite low traffic levels and high interest costs, the large-size carriers of Group C-2 increased net carrier property by 3.4%. The 501-750 miles ALOH carriers had the most significant replacement and growth of revenue equipment during 1980 of all the general freight common carriers studied in this analysis increasing net carrier property 17.8% over 1979. In contrast, the long-haul (751 miles and over) carriers decreased net carrier property by 2.8%. Group C-2 continued to maintain newer revenue equipment than that of the general freight composite's; although, the age of this equipment increased over 1979. In addition, Group C-2 relied the least on purchased transportation of all the general freight common carriers and during 1980 decreased purchased transportation expenditures as a percentage of gross revenues.

Liquidity

Liquidity for Group C-2 continued at satisfactory levels and compared favorably to the general freight composite data in 1980. Cash throw increased a modest 0.7%, due only to the 751 miles and over ALOH carriers' increase in after-tax (before operating authority write-offs) net in-

come. All the other ALOH categories reported decreases in both after-tax net income and cash throw. In addition, working capital increased 13.1% for the group with only the 250 miles and under ALOH carriers reporting a decrease over the prior year. The group's current ratio was maintained at 1.25 to 1; while the days of cash operating expenses in working capital increased by approximately 1 day to 13.6 days. The 501-750 miles ALOH carriers continued as the least liquid of the Group C-2 carriers with a current ratio of 1.06 to 1 and only 3.44 days of cash operating expenses in working capital. All the other ALOH categories had current ratios and days of cash operating expenses in working capital in excess of the general freight composite's ratios. The average days collection period lengthened modestly to 31.22 days.

Leverage and Debt Service

Year-to-year, funded debt decreased 6.0% for Group C-2. With record level interest rates and excess capacity caused by extremely low traffic levels, this group has been cautious in adding new debt. Funded debt to tangible net worth fell 22.0% to a ratio of .46 to 1. For the group, net debt to equity dropped 14.3% to a ratio of .19 to 1. The net debt to equity ratio excludes working capital, which increased 13.1% year-to-year, from non-current funded debt. All ALOH categories, with the exception of the 501-750 miles ALOH carriers, reported both funded debt to tangible net worth and net debt to equity at or better than the composite's ratios. The 501-750 miles ALOH carriers continued to be highly leveraged with funded debt to tangible net worth at .85 to 1 and net debt to equity at .63 to 1.

Although year-to-year changes varied between categories, debt service for all the ALOH carriers remained satisfactory. For the group, cash throw to current funded debt decreased from 5.3 times in 1979 to 4.9 times in 1980. All the ALOH categories, with the exception of the 751 miles and over ALOH carriers, decreased current debt coverage; nevertheless, all Group C-2 carriers maintained cash throw to current funded debt in excess of 3 times. The longest average haul (751 miles and over) carriers had current funded debt coverage of over 12.9 times, a 37.9% increase over 1979. Cash throw to total funded debt increased 7.1% to a ratio of 74% for the group. If all cash throw were applied to total funded debt, Group C-2 could repay its debt in less than 17 months. Total funded debt repayment ranged from slightly less than 24 months for the 501-750 miles to less than 11 months for the 751 miles and over ALOH carriers.

In summary, despite lower traffic levels and decreased profitability this group continued to be the most profitable, the most liquid, and have the best debt coverage. Nonetheless, the 501-750 ALOH carriers should continue to be watched due to their poor operating performance, liquidity, and debt coverage.

Group D Analysis

The motor carriers included in Group D are specialized commodity carriers with annual gross revenues over \$1 million. This group includes Class I and some Class II carriers with data for 1980 and 1979 presented for the same 1349 carriers to ensure comparability.

In reviewing the Group D analysis, the following should be kept in mind. The ICC classifies all motor freight into seventeen commodity specific divisions. The first division, general freight carriers, was studied in the preceding sections of this analysis. Of the remaining sixteen specialized commodity divisions, seven are reviewed individually here and the rest are combined into a single division—"Other Specialized Commodities."

Specialized commodity carriers tend to have fewer customers (shippers) than general freight carriers. Shipments tend to move in truckload quantities directly from the point of origin to the point of destination. Therefore, terminal facilities and freight consolidation operations are not as important as with general freight carriers. For the specialized carrier this translates into lower pick-up, delivery and platform costs, while linehaul expenses become a much larger percentage of gross revenues. Many special commodity carriers use independent owner-operators to move point-to-point truckload shipments resulting in higher levels of purchased transportation expense in comparison to the general freight carriers.

Operating Performance

Gross operating revenues for Carrier Group D increased to \$13.7 billion in 1980—a 6.9% increase over 1979. This

increase in gross revenues compares unfavorably with the "normal" 15-20% revenue growth range experienced over the last five years. The year-to-year gain in revenues was due mainly to rate increases, including the fuel surcharge mandated by the ICC. 1980 was the first year since 1975 that Group D experienced a drop in both mileage and tonnage. Intercity mileage decreased by 5% and total tonnage declined 11.3%, while revenue per ton-mile increased in 1980 to 9.8 cents—a 11.7% increase over 1979. Specialized carriers generally experience less adverse effects from a recession than general freight carriers. However, carrier groups which serve one industry group—such as motor vehicles, petroleum and building material carriers—are heavily dependent upon business cycles and were hard hit by the 1980 economic downturn. Even though 1980 was a depressed year for the specialized carriers, Group D continued to outperform the general freight industry composite with larger revenue gains (6.9% vs. 4.4%) and smaller declines in tonnage (11.3% for Group D versus 13.9% for the composite).

Net income before extraordinary items was \$280.8 million down 2.7% from 1979. Group D carriers wrote off approximately \$150 million of operating authority rights and other extraordinary items in 1980 which decreased net income to \$129.4 million. For this analysis, net income figures and ratios are based on net income before extraordinary items such as the operating authority write-off. 1980 total operating expenses increased by 6.8% reflecting increases principally in the cost of fuel and labor. Another element contributing to this increase in operating expenses came from purchased transportation which totaled \$5.3 billion in 1980, up 10.3% year-to-year. Specialized commodity carriers have historically relied heavily on non-owned revenue equipment. This pattern is continuing as purchased trans-

portation increased to 38.8% of revenues versus 37.7% in 1979. By using increased purchased transportation, the return on transportation investment increased to 19.29% in 1980 from 18.52% in 1979. As profits slipped, return on equity declined from 14.4% in 1979 to 13.5% in 1980 but remained better than the general freight industry composite's return on equity of 9.41%.

Group D's operating ratio improved slightly declining to 96.04% from 96.14% in 1979. However, as interest expenses increased by 23.5%, the Group's expense ratio deteriorated by 10 basis points to 97.59%.

Balance Sheet

The major change on Group D's balance sheet in 1980 was the \$151 million decrease in intangible assets and equity caused primarily by the write-off of operating authority. Current assets increased to 42.8% of total assets up from 40.3% in 1979. Total assets grew by 4.4% despite the \$151 million write-off of operating authority. Net carrier operating property is up modestly in dollar value but has declined as a percentage of total assets from 45.3% to 44.9% in 1980. Current liabilities increased to 36.7% of total assets from 35% in 1979 as notes payable nearly doubled to \$209.67 million. Long term debt decreased slightly (3.3%) year-to-year and stockholders equity grew by 3.4% even after the effect of the operating authority write-off.

Commodity Classification	Household Goods				Heavy Machinery				Petroleum Products				Refrigerated Products			
Number of Carriers	127				87				130				126			
Year	1980				1980				1980				1980			
	1979		1979		1979		1979		1979		1979		1979		1979	
Income Statement	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
Income & Expense Data																
Gross Revenues	2,122.86	100.0	1,844.19	100.0	803.81	100.0	744.97	100.0	1,545.25	100.0	1,550.01	100.0	1,524.84	100.0	1,335.54	100.0
Depreciation	22.80	1.1	20.06	1.1	17.77	2.2	15.32	2.1	87.38	5.7	80.29	5.1	47.47	3.1	42.38	3.2
Purchased Transportation	1,111.24	52.3	952.31	51.6	440.84	54.8	399.45	53.6	365.42	23.6	373.85	24.0	848.18	55.6	728.73	54.6
Total Operating Expenses	2,070.15	97.5	1,816.71	98.5	772.05	96.1	701.25	94.1	1,457.41	94.3	1,462.49	93.7	1,463.58	96.0	1,285.75	96.3
Net Carrier Operating Income	52.71	2.5	27.48	1.5	31.96	3.9	43.73	5.9	87.83	5.7	97.52	6.3	61.27	4.0	49.75	3.7
Interest Expense	16.57	0.8	15.55	0.8	8.08	1.0	6.23	0.8	33.93	2.2	28.84	1.8	21.36	1.4	17.19	1.3
Net Income Before Taxes	88.36	4.2	57.82	3.1	26.33	3.3	39.09	5.2	61.78	4.0	75.97	4.9	46.35	3.0	36.68	2.7
Income Taxes—Current	34.23	1.6	22.80	1.2	9.41	1.2	14.60	2.0	16.26	1.1	18.05	1.2	12.29	0.8	13.04	1.0
Deferred Income Taxes	1.14	0.1	0.91	0.0	0.74	0.1	1.41	0.2	5.44	0.4	5.89	0.4	2.85	0.2	1.24	0.1
Equity in Earnings of Affili	4.06	0.2	3.85	0.2	0.29	0.0	0.28	0.0	1.84	0.1	2.53	0.2	1.27	0.1	0.86	0.1
Income Before Extra Items	58.49	2.8	39.14	2.1	16.47	2.1	23.36	3.1	41.93	2.7	54.56	3.5	32.48	2.1	23.26	1.7
Extraordinary Items	6.26	0.3	0.53	0.0	21.47	2.7	0.01	0.0	20.53	1.3	0.21	0.0	21.84	1.4	0.14	0.0
Net Income After Taxes	52.22	2.5	39.67	2.2	5.00	0.6	23.36	3.1	21.40	1.4	54.77	3.5	10.64	0.7	23.40	1.8

[illegible]

Operating Performance			1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	33
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Dollar Amounts in Millions

Agricultural Products 92				Motor Vehicles 37				Building Materials 116				Other Special Commodities 654				Total Special Commodities 1349			
1980		1979		1980		1979		1980		1979		1980		1979		1980		1979	
\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$	%
463.05	100.0	410.44	100.0	1,106.14	100.0	1,280.49	100.0	902.89	100.0	837.19	100.0	5,206.59	100.0	4,777.12	100.0	13,679.22	100.0	12,789.97	100.0
25.86	5.6	22.74	5.5	65.63	5.9	65.53	5.1	40.42	4.5	35.47	4.2	196.76	3.8	177.72	3.7	504.06	3.7	459.50	3.6
134.10	29.0	111.98	27.3	101.68	9.2	139.59	10.9	357.59	39.6	322.09	38.5	1,953.38	37.5	1,789.33	37.5	5,312.25	38.8	4,817.34	37.7
443.23	95.7	392.67	95.7	1,082.14	97.8	1,270.59	99.2	861.72	95.4	799.01	95.4	4,065.88	95.7	4,567.80	95.6	13,136.18	96.0	12,296.30	96.1
19.82	4.3	17.77	4.3	24.00	2.2	9.91	0.8	41.16	4.6	38.18	4.6	223.70	4.3	209.32	4.4	542.05	4.0	493.66	3.9
8.16	1.8	6.47	1.6	20.41	1.8	17.58	1.4	20.43	2.3	15.24	1.8	83.49	1.6	64.84	1.4	212.43	1.6	171.94	1.3
9.84	2.1	10.41	2.5	7.14	0.6	5.74	0.4	18.15	2.0	29.32	3.5	170.49	3.3	174.79	3.7	428.45	3.1	418.35	3.3
3.48	0.8	2.49	0.6	2.20	0.2	1.80	0.1	4.11	0.5	5.96	0.7	56.82	1.1	50.62	1.1	138.80	1.0	125.75	1.0
0.05	0.0	0.15	0.0	1.20	0.1	0.04	0.0	1.64	0.2	1.32	0.2	5.58	0.1	6.71	0.1	16.36	0.1	15.47	0.1
0.04	0.0	0.03	0.0	0.60	0.1	0.33	0.0	0.02	0.0	0.96	0.1	1.56	0.0	3.39	0.1	8.41	0.1	12.18	0.1
6.27	1.4	8.04	2.0	3.14	0.3	3.57	0.3	12.42	1.4	23.00	2.7	109.61	2.1	120.94	2.6	280.81	2.1	288.75	2.3
2.52	0.5	0.05	0.0	2.71	0.2	0.16	0.0	20.12	2.2	0.07	0.0	55.98	1.1	0.48	0.0	151.44	1.1	0.33	0.0
3.76	0.8	8.09	2.0	0.42	0.0	3.73	0.3	7.70	0.9	23.07	2.8	53.63	1.0	120.46	2.5	129.37	0.9	289.09	2.3
13.70	7.0	10.46	5.5	37.45	7.6	25.67	5.0	31.42	8.3	25.30	7.0	189.40	9.4	179.21	9.5	420.60	7.6	364.57	6.9
2.66	1.4	3.96	2.1	22.17	4.5	22.31	4.3	17.05	4.5	15.34	4.2	102.65	5.1	64.86	3.4	356.03	6.5	257.49	4.9
36.65	18.8	32.61	17.2	78.46	16.0	77.87	15.1	72.25	19.2	60.10	16.6	450.36	22.4	404.74	21.4	1,279.66	23.2	1,213.85	23.0
7.29	3.8	7.22	3.8	10.83	2.2	12.07	2.3	11.48	3.0	12.02	3.3	62.33	3.1	59.49	3.1	156.59	2.8	155.75	3.0
9.80	5.0	7.25	3.8	12.42	2.5	11.84	2.3	9.46	2.5	8.34	2.3	44.82	2.2	40.36	2.1	114.33	2.1	105.36	2.0
0.82	0.4	1.59	0.8	1.72	0.4	0.43	0.1	1.37	0.4	1.08	0.3	9.10	0.5	10.41	0.5	30.81	0.6	28.66	0.5
70.92	36.5	63.09	33.3	163.06	33.2	150.19	29.2	143.04	37.9	122.18	33.8	858.86	42.7	759.07	40.0	2,358.05	42.8	2,125.68	40.3
210.85	108.4	193.17	102.0	637.20	129.8	636.86	123.8	358.48	95.0	325.79	90.1	1,826.63	90.9	1,664.98	87.8	4,627.47	87.7	4,460.37	84.5
99.95	51.4	81.87	43.3	344.73	70.2	307.82	59.9	170.22	45.1	145.03	40.1	894.51	44.5	783.70	41.3	2,356.41	42.8	2,070.62	39.2
110.89	57.0	111.30	58.8	292.47	59.6	329.04	64.0	188.27	49.9	180.77	50.0	932.11	46.4	881.28	46.5	2,471.06	44.9	2,389.75	45.3
115.84	59.6	116.23	61.4	296.55	60.4	332.27	64.6	209.14	55.4	200.41	55.4	981.65	48.9	919.69	48.5	2,590.99	47.0	2,493.75	47.3
2.21	1.1	4.56	2.4	0.77	0.2	6.23	1.2	3.18	0.8	16.58	4.6	20.52	1.0	78.58	4.0	37.97	0.7	194.21	3.7
5.49	2.8	5.43	2.9	30.70	6.3	25.54	8.0	21.66	5.6	22.62	6.3	148.00	7.4	140.36	7.4	520.18	9.4	463.77	8.8
194.46	100.0	189.30	100.0	491.08	100.0	514.22	100.0	377.22	100.0	361.79	100.0	2,008.83	100.0	1,895.70	100.0	5,507.18	100.0	5,277.41	100.0
5.40	2.8	3.38	1.8	39.31	8.0	29.90	5.8	7.31	1.9	5.05	1.4	68.80	3.4	62.45	2.8	230.33	4.2	260.06	4.9
5.26	2.7	6.74	3.6	3.13	0.6	3.80	0.7	10.59	2.8	6.90	1.9	44.66	2.2	45.95	2.4	209.67	3.8	109.63	2.1
23.72	12.2	24.81	13.1	59.20	12.1	58.08	11.3	43.90	11.6	39.64	11.0	242.78	12.1	215.72	11.4	705.55	12.8	671.57	12.7
2.72	1.4	2.62	1.4	11.56	2.4	11.18	2.2	7.14	1.9	5.55	1.5	41.57	2.1	36.65	1.9	188.46	1.8	188.89	1.7
3.87	2.0	3.10	1.6	8.16	1.7	1.53	0.3	5.56	1.5	4.60	1.3	43.19	2.2	32.92	1.7	109.96	2.0	87.16	1.7
23.51	12.1	20.72	10.9	24.96	5.1	27.70	5.4	40.82	10.8	39.53	10.9	159.12	7.8	143.26	7.6	364.08	6.6	345.82	6.6
2.89	1.5	2.12	1.1	56.12	11.4	64.13	12.5	15.04	4.0	14.53	4.0	82.80	4.6	82.15	4.3	288.62	3.4	286.21	3.4
67.36	34.6	63.48	33.5	202.47	41.2	196.31	38.2	130.35	34.6	115.80	32.0	692.53	34.5	609.10	32.1	2,019.66	36.7	1,849.23	35.0
1.33	0.7	1.23	0.6	17.88	3.6	27.63	5.4	11.42	3.0	11.50	3.2	35.91	1.8	29.60	1.6	132.56	2.4	130.62	2.5
53.35	27.4	54.99	29.0	62.17	12.7	90.12	17.5	106.44	28.2	97.62	27.0	429.36	21.4	436.65	23.0	1,038.78	18.9	1,080.76	20.5
54.67	28.1	56.21	29.7	80.06	16.3	117.74	22.9	117.86	31.7	109.12	30.2	465.27	23.2	466.25	24.6	1,171.34	21.3	1,211.38	23.0
76.88	39.9	75.71	40.0	87.15	17.7	117.81	22.9	147.26	39.0	137.15	37.9	580.48	29.3	579.92	30.6	1,402.86	25.5	1,426.58	27.0
0.54	0.3	0.90	0.5	2.14	0.4	1.41	0.3	4.76	1.3	3.41	0.9	18.52	0.9	18.29	1.0	56.75	1.0	55.30	1.0
4.22	2.2	3.49	1.8	35.23	7.2	27.53	5.4	10.80	2.9	10.41	2.9	54.18	2.7	45.65	2.4	184.96	3.4	155.78	3.0
126.80	65.2	124.08	65.5	319.89	65.1	342.99	66.7	263.77	69.9	238.74	66.0	1,230.50	61.3	1,139.39	60.1	3,432.71	62.3	3,271.74	62.0
67.66	34.8	65.22	34.5	171.19	34.9	171.23	35.3	113.45	30.1	123.05	34.6	778.30	38.7	756.31	39.9	2,074.47	37.7	2,005.67	38.0
122.33	62.9	121.43	64.1	251.24	51.2	268.88	56.2	231.31	61.3	232.17	64.2	1,243.59	61.9	1,222.56	64.5	3,245.81	58.9	3,217.05	61.0
194.46	100.0	189.30	100.0	491.08	100.0	514.22	100.0	377.22	100.0	361.79	100.0	2,008.83	100.0	1,895.70	100.0	5,507.18	100.0	5,277.41	100.0
Agricultural Products 1980				Motor Vehicles 1980				Building Materials 1980				Other Special Commodities 1980				Total Special Commodities 1980			
1979		1979		1979		1979		1979		1979		1979		1979		1979		1979	
6.84	6.29	6.46	7.48	7.96	6.90	6.69	6.32	6.59	6.38	6.11	6.06	6.32	6.32	6.32	6.32	6.32	6.32	6.32	6.32
3.79	3.38	4.40	4.43	3.90	3.61	4.19	3.91	4.21	3.98	4.19	3.91	4.21	3.91	4.21	3.91	4.21	3.91	4.21	3.91
4.18	3.69	3.78	3.89	4.80	4.63	5.59	5.42	5.54	5.35	5.59	5.42	5.54	5.42	5.54	5.42	5.54	5.42	5.54	5.35
2.20	2.12	1.74	2.01	2.52	2.57	2.85	2.87	2.83	2.87	2.85	2.85	2.87	2.87	2.87	2.87	2.87	2.87	2.87	2.87
2.13	2.54	0.65	0.45	2.01	3.50	3.27	3.66	3.13	3.27	3.50	3.27	3.66	3.13	3.27	3.50	3.27	3.66	3.13	3.27
8.04	8.57	2.84	1.99	12.63	13.71	14.30	13.20	13.20	13.20	13.71	14.30	13.20	13.20	13.20	13.20	13.20	13.20	13.20	13.20
1.35	1.96	0.28</																	

Liquidity

By all measures, Group D's liquidity position improved during 1980. Working capital increased by 22.4%; the Group's current ratio increased nominally to 1.17 versus 1.15 in 1979; and days of cash operating expenses in working capital increased to 9.73 days up from 8.48 days in 1979. Group D had cash in excess of funded debt due within one year and cash and non-affiliate receivables in excess of total funded debt.

Leverage and Debt Service

At year-end 1980, Group D's total long term debt decreased 3.3% to \$1171.3 million and shareholders equity rose 3.4% to \$2074.5 million. As a result, leverage as measured by funded debt to equity decreased from .71 to 1 in 1979 to .68 to 1 in 1980. Funded debt to tangible net worth decreased substantially from .79 to 1 in 1979 to .69 to 1 in 1980 as debt declined and tangible net worth grew by 12.4%. Specialized commodity carriers depend far more heavily on borrowed money for new equipment than general freight carriers, although certain segments rely partially on purchased transportation. New equipment prices have been rising at a rate of about 10% per year. The reduced earnings levels of the last two years have made it very difficult for carriers to invest in new equipment without increasing debt. In 1980, Group D expanded its utilization of independent owner-operators rather than borrow in the high interest rate environment to purchase new equipment. The relative age of Group D's equipment fleet increased from 1979 to 1980 as equipment purchases were not

substantial. This is reflected in Group D's reserve for depreciation of carrier property of 48.8% of cost in 1980 up from 46.4% of cost in 1979. Group D's equipment fleet tended to be older than the industry composite which had a reserve of 46.7% of cost in 1980. As cash flow improved and total debt declined year-to-year, debt coverage improved as cash flow increased nominally to two times funded debt due in one year and cash flow to total funded debt increased by 7.3% to 56.51%. Overall, Group D's ability to service debt remained satisfactory at year-end 1980.

Productivity

Total payroll (including purchased transportation) to revenues increased slightly in 1980. This ratio is a measure of the efficiency in use of personnel and is especially meaningful in measuring Group D carriers as it includes the cost of purchased transportation. Linehaul expenses to revenues decreased nominally to 79.06% but is still significantly higher than the 41.43% level for general freight carriers. As both total tons and miles fell in 1980, average load also decreased from 13.16 tons in 1979 to 12.98 tons in 1980. Overall, Group D struggled to hold ground rather than make gains in productivity in a very difficult economic environment.

Household Goods

The 127 carriers in this segment transport household goods, office property, electronic and other specialized business equipment.

Household goods carriers outperformed all other groups with 1980 gross revenues increasing to \$2.1 billion—a 15.1% increase over 1979. Average revenue per carrier grew by \$2.2 million to \$16.7 million in 1980. This average is distorted by

the 5 largest carriers who contribute over 60% of the group's total gross revenues. In fact, 85% of the carriers in this group have gross revenues under \$10 million.

Rate increases were largely responsible for revenue growth as revenue per ton-mile increased by over 20% while total tonnage dipped 7%. This group's revenue per ton-mile of 43 cents is more than double any other class of specialized commodity carriers and compares favorably with the total Group D average of 9.76 cents per ton-mile and the industry composite average of 17 cents per ton-mile. Household goods carriers also showed an improvement in both their operating ratio (97.52% in 1980 versus 98.51% in 1979) and their expense ratio (98.30% in 1980 down from 99.35% in 1979).

This segment of the industry is a heavy user of purchased transportation. Household goods carriers' purchased transportation expenditures as a percentage of revenues increased to 52.3% in 1980 up from 51.6% in 1979, while Group D carriers as a whole averaged 38.8% of revenues. Household goods carriers expenditures for purchased transportation were over 6 times the value of net carrier operating property in 1980.

In 1980, household goods carriers wrote off approximately \$6 million of operating authority rights. The net income figures and ratios based on net income used in this analysis are before all extraordinary items including the operating authority write-off. Net income after tax grew to \$58.5 million—a 49.5% increase year-to-year. Net income per carrier exceeded all other specialized commodity carrier groups and the general freight industry composite. Here again, the five largest carriers distort the average—contributing over 50% of the Group's net income.

All measures of liquidity improved materially year-to-year for this group of carriers with a current ratio of 1.12 to 1 and 10.26 days cash operating expense in working capital. As net income increased significantly, cash throw jumped 39.8% from 1979 to 1980.

An important customer of this group is the U.S. Federal Government and its related divisions which typically are known for delayed payments particularly of freight bills. Household goods carriers have, therefore, experienced longer collection periods and a higher investment in accounts receivable. However, in 1980 this group succeeded in speeding its collection process with the average days collection period dropping 17.2% from 61.7 days in 1979 to 51 days in 1980. Receivables declined from 38.8% of assets in 1979 to 33% in 1980.

Because of this group's higher use of purchased transportation rather than owned equipment, debt requirements are significantly lower than for the rest of the industry. Funded debt to tangible net worth declined by 20.4% from .26 to 1 in 1979 to .20 to 1 in 1980. This compares with total Group D funded debt to tangible net worth of .69 to 1 in 1980. Coverage ratios also improved substantially in 1980 due to improved cash throw.

The heavy use of purchased transportation contributed to a 67.6% jump in return on transportation investment (22.37% in 1980 versus 13.35% in 1979). Return on equity also improved substantially from 13.94% in 1979 to 17.48% in 1980 which is slightly better than the total group D's return on equity of 13.54%. However, productivity fell as linehaul expenses as a percentage of revenue increased and average load size declined 13.6%.

In summary, household goods carriers outperformed most other Group D carriers in terms of profitability, leverage, liquidity and ability to service debt.

Heavy Machinery

The 67 carriers in this group transport heavy equipment and industrial components of unusual size and weight (aerospace vehicles, hydro-electric turbines, agricultural combines, oil field equipment, etc.). Performance of these carriers is closely tied to capital expenditures made by industry and government.

In 1980, real capital expenditures by U.S. non-farm businesses increased by less than 1% on an annual basis. As a result, intercity mileage for heavy machinery carriers fell by 3.1% and tonnage showed a modest 2.6% increase year-to-year. Due to rate increases, gross operating revenues rose by 7.9% to \$803.6 million in 1980. Revenue per ton-mile remained basically unchanged year-to-year.

In 1980, heavy machinery carriers wrote off approximately \$21 million of intangible assets (primarily operating authority rights). The net income figures and ratios based on net income used in this analysis are exclusive of the write-off and other extraordinary items. Net income declined by 29.5% as this segment's operating ratio deteriorated from 94.13% in 1979 to 96.07%. Expenditures for purchased transportation contributed to this increase growing to 54.8% of revenues in 1980—a 10.3% increase from 1979. Purchased transportation expenditures were almost 4 times net carrier operating property which compares to the Group D total of 2 times net carrier operating property. Interest expenses also jumped by 29.7% as heavy machinery carriers increased their total funded debt to \$55.3 million, a 12.7% increase over 1979. As a result, this seg-

ment's expense ratio increased by 211 basis points to 97.08% in 1980.

Even though cash throw declined, heavy machinery carriers were able to maintain an adequate liquidity position with a current ratio of 1.6 to 1, 23.59 days cash operating expenses in working capital, and average days collection period of 41.62 days—all modestly improved in a year-to-year comparison.

Heavy machinery carriers are less leveraged than most other Group D carriers primarily because of the higher use of purchased transportation rather than owned equipment. However, the group did replace portions of their current fleet in 1980 as indicated by a 12.4% increase in net carrier operating property. Long term debt increased accordingly by 5.7% year-to-year and total funded debt grew by 12.7% in 1980. Tangible net worth rose reflecting the increase in carrier operating property and an 8% increase in current assets. As a result, leverage increased nominally with funded debt to tangible net worth increasing from .46 to 1 in 1979 to .47 to 1 in 1980. Coverage ratios showed sharp declines reflecting the increased debt and reduced cash throw. Cash throw to funded debt due in one year dropped 25.6% from 4 times in 1979 to 3 times in 1980 and cash throw to total funded debt dropped 22.7% from 81.2% in 1979 to 62.75% in 1980.

Return on transportation investment decreased by 35.6% from 30.53% in 1979 to 19.67% in 1980 as this segment's net carrier operating income declined sharply and investment in carrier operating property increased. This return on transportation investment is slightly higher than the total Group D average of 19.29% as this

segment uses a larger proportion of purchased transportation. Productivity indices deteriorated marginally as average load size decreased while payroll and other linehaul expenses increased as a percentage of revenues. Due to sharply reduced earnings, return on equity declined from 17.13% in 1979 to 13.74% in 1980 but remained slightly higher than the total Group D return on equity of 13.54%.

Overall, the heavy machinery group suffered as capital expenditures slowed in the high interest rate and sluggish economic environment which prevailed in 1980. Profitability, productivity and leverage position deteriorated. However, liquidity remained satisfactory and debt service ability remains better than the total Group D average.

Petroleum Products

This group includes 130 carriers which haul road and crude oil, kerosene, gasoline and other liquid motor fuels in bulk or barrel, as well as carriers which haul chemicals, coal tar, edible oils, and butane, propane and other petroleum derivatives in bulk only. This business tends to be both seasonal and cyclical. There are substantial barriers to entry due in large part to the high capital costs of using specialized and expensive equipment and the nature of the business itself, i.e., hauling hazardous materials with all the liabilities this entails. This group's customer base is more concentrated than those of general freight carriers.

Repeated hikes in the relative price of gasoline and fuel oils have resulted in outright real declines in consumption of these products in 1980. As a result, petroleum carriers suffered sharp declines in

both tonnage and intercity mileage. Total tonnage was off 14.8% year-to-year and mileage dropped 15% from 1979 to 1980. Rate increases somewhat offset this traffic loss. Nevertheless, gross operating revenues declined slightly to \$1,545 million in 1980 versus \$1,560 million in 1979.

In 1980, petroleum carriers wrote off approximately \$21 million of intangible assets (primarily operating authority rights). The net income figures and profitability ratios used in this analysis are before extraordinary items such as the operating authority write-offs.

Petroleum carriers are heavy users of owned equipment giving them less flexibility in curtailing transportation expenses in traffic downturns. In 1980, this group's operating ratio deteriorated by 57 basis points, to 94.32% of revenues. Purchased transportation expenditures declined to 23.6% of revenues in 1980 versus 24% in 1979. As interest expense jumped 17.6%, petroleum carrier's expense ratio rose to 96.5% in 1980 versus 95.6% in 1979. With decreased revenues and increased expense ratios, net income for this group decreased by 23.2% year-to-year to \$41.9 million.

As a result of decreased earnings, cash throw declined by 3.9% in 1980. All other liquidity measures remained flat or showed marginal improvement despite reduced profitability. This group's current ratio of 1.28 to 1 and 15.81 days cash operating expenses in working capital were both in excess of the Group D average and the general freight industry composite.

Leverage improved as total funded debt decreased by 2.4% and both stockholders equity and tangible net worth increased year-to-year. Funded debt to tangible net worth decreased from .92 to 1 in 1979 to .80 to 1 in 1980. This is

higher than the total Group D average ratio of .69 to 1 in 1980 as petroleum carriers' reliance on owned equipment rather than purchased transportation increases their debt requirements. Petroleum carriers did not add significant new equipment in 1980 given the overcapacity caused by depressed tonnage and mileage. The average age of their fleet as reflected in reserve for depreciation as a percentage of carrier operating property increased to 49.1% of cost in 1980 up from 47.9% in 1979. Due to decreased cash throw, debt coverage ratios deteriorated but remained better than the Group D average. Cash throw to funded debt due in one year decreased from 2.7 times in 1979 to 2.4 times in 1980 as a greater portion of funded debt became current.

All productivity indices showed moderate improvement. Due to the decrease in profitability, return on transportation investment dropped from 20.94% in 1979 to 17.89% in 1980 falling below the average of all Group D carriers. Return on equity also dropped sharply from 18.04% in 1979 to 13.47% in 1980.

In summary, petroleum carriers maintained satisfactory liquidity and debt service positions, and decreased leverage during a year in which they suffered declining tonnage, revenues and profits.

Refrigerated Products

This group includes 126 carriers which transport specific perishable goods, such as fruit juices, meat, fish, vegetables, fruit and processed dairy products other than milk, in a temperature-controlled environment. Refrigerated commodities tend to move regardless of the economic environment. As a result, this group generally experiences less adverse effects from recessions than other type carriers.

In 1980, refrigerated carriers were the only division to experience increases in both total tonnage (up .8%) and mileage (up 2%). Gross operating revenues increased by 14.2% to \$1,524.8 million assisted by rate increases. This group improved its operating ratio from 96.27% in 1979 to 95.98% even though purchased transportation expenditures climbed 16.4% to 55.6% of gross revenues in 1980. This is the highest level of purchased transportation expenditures for all Group D carriers.

Refrigerated product carriers wrote off approximately \$22 million of intangible assets in 1980 (primarily operating authority write offs). All net income figures and ratios based on net income are exclusive of the effect of this write-off and other extraordinary items. Net income jumped 39.6% year-to-year reflecting the higher revenue level and improved operating and expense ratios. Even though interest expense jumped by 24.2%, refrigerated carriers showed an improvement in their expense ratio from 97.56% in 1979 to 97.38% in 1980.

Although average days collection period deteriorated slightly from 28.23 days in 1979 to 29.23 days in 1980, all other liquidity measures improved year-to-year and remained adequate. As working capital increased by 43.4%, days cash operating expenses in working capital improved by 7.45 days in 1980 up from 5.9 days in 1979.

Leverage improved as total funded debt decreased by 7.8%. Funded debt to tangible net worth declined from .99 to 1 in 1979 to .77 to 1 in 1980. Refrigerated carriers tend to maintain newer equipment fleets in comparison with other Group D carriers and with the industry composite.

However in 1980, these carriers did not add significantly to their fleet. Average age of equipment as reflected by the reserve for depreciation as a percentage of equipment cost rose from 41.6% of cost to 43.6% of cost. Debt coverage increased significantly with cash throw to funded debt due in one year improving by 29.8% to 262.77% and cash throw to total funded debt increasing by 33.8% to 60.29% both of which are better than the Group D average.

Return on transportation investment increased from 20.81% in 1979 to 23.96% —a 15.1% upswing year-to-year assisted by the increased use of purchased transportation. Return on equity also showed substantial improvement, increasing from 13.67% in 1979 to 18.24% in 1980. This is well above the total Group D return on equity of 13.54% in 1980. Productivity indexes were off slightly year-to-year.

Overall, refrigerated product carriers fared very well through the 1980 recession increasing traffic levels, revenues and profits while improving their operating efficiency, leverage, liquidity and ability to service debt.

Agricultural Products

The 92 carriers in this class haul raw agricultural products, including livestock, milk, grains, feed and tobacco. Since the vast majority of agricultural product carriers are small, unregulated companies, this group cannot be considered to encompass the entire agricultural product carrier segment. Over 90% of the carriers included in this sample have gross revenues under \$10 million.

Gross revenues increased by 12.8% to \$463 million in 1980. Rate increases accounted for most of this rise as both tonnage and mileage remained flat year-to-year. Agricultural carriers relied more

heavily on purchased transportation in 1980 as both interest rates and equipment costs continued to rise. Purchased transportation expenditures increased by 19.7% which represented 29% of 1980 gross revenues up from 27.3% of 1979 revenues. Net carrier operating property fell in absolute dollars and as a percentage of total assets. Net carrier operating property accounted for 57% of total assets in 1980 down from 58.8% in 1979. This segment's operating ratio deteriorated slightly from 95.67% in 1979 to 95.72% in 1980. However net earnings before extraordinary items dropped 22% as increased interest expense squeezed margins. All net income figures and ratios based on net income are calculated before the effect of the \$2.5 million operating authority write-off and other extraordinary items.

In 1979, this segment had negative working capital. While by all measures the group's liquidity has improved in 1980, it remains significantly less liquid than the Group D average. Agricultural carriers' current ratio improved from .99 to 1 in 1979 to 1.05 to 1 in 1980 and average days collection period remained essentially unchanged at 29 days in both years. With only 3.09 days cash operating expenses in working capital, the group's liquidity remains tight.

While most other carrier segments in Group D reduced debt during 1980, the agricultural product segment increased both total funded debt and debt due within one year. Tangible net worth increased year-to-year resulting in an improved leveraged position. Funded debt to

tangible net worth dropped from 1.25 to 1 in 1979 to 1.17 to 1 in 1980 which is the second highest leverage ratio in Group D and substantially higher than the total Group D average of .69 to 1. As funded debt due in one year jumped by 13.5%, cash throw to funded debt due in one year declined to 137.0% while cash throw to total funded debt increased slightly to 41.92%.

Productivity was mixed, with slight increases in some areas, slight decreases in others. Return on transportation investment improved from 16.03% in 1979 to 17.32% but is still the second lowest in Group D. Return on equity declined to 9.27% in 1980 which is also well below the total Group D average of 13.54% and slightly less than the general freight industry composite's return on equity of 9.41% in 1980. Revenue per ton-mile increased by 15.7% from 4.62 cents to 5.34 cents per mile but remains the lowest of any segment in Group D.

Overall, agricultural product carriers tend to be smaller, less liquid, less profitable and more highly leveraged than most carriers in Group D. However, they did show some improvement in leverage, liquidity and return on transportation investment during a very difficult year for the industry as a whole.

Motor Vehicles

The 37 motor carriers in this group transport new or used automobiles and trucks which are fully or partially assembled.

The automotive industry suffered a disastrous decline during 1980. Constant dollar shipments of motor vehicles and parts declined by 23.4% on an annual basis from 1979 to 1980. During the second quarter of 1980 domestic auto sales fell to an annual rate of 5.5 million units—the slowest selling pace in 20 years. As a result, total yearly tonnage for motor carriers in this segment plunged 25.8%, mileage dropped 23.9% and gross operating revenues declined by 13.6% to \$1106.1 million. Average revenue per carrier was down to \$29.9 million from 1979 to 1980, nonetheless it remained the highest average revenue for Group D carriers. Over 65% of motor vehicle carriers have revenues in excess of \$10 million.

Motor vehicle carriers have the most single purpose equipment of any type of motor carriers. As such, investment in carrier operating property is highest among these carriers representing 59.6% of assets. Conversely, purchased transportation is the lowest of Group D at 9.2% of revenue.

In 1980, motor vehicle carriers wrote off close to \$3 million in intangible assets (primarily operating authority rights). All net income figures and ratios based on net income are exclusive of the effect of this write-off and other extraordinary items. While the group's net earnings of \$3 million showed a modest increase from 1979's net loss, the inclusion of the two largest motor vehicle carriers caused certain aberrations in group-wide statistics. These two carriers contributed over \$10.7 million, or more than 3 times this segment's net income, while representing only 27% of gross revenues. If these two carriers were excluded, this segment

would show net losses in excess of \$7.6 million for 1980 with almost 50% of the carriers in this segment suffering net losses (exclusive of operating authority write-offs).

Liquidity remained a problem for motor vehicle carriers as their working capital position remained negative, and both days cash operating expenses in working capital and average days collection period deteriorated in a year-to-year comparison. While the current ratio increased from .77 to 1 in 1979 to .81 to 1 in 1980, all liquidity measures are substantially worse than the total Group D average.

Leverage improved substantially as total funded debt was reduced by 26.1% in 1980. Total funded debt to tangible net worth decreased from .71 to 1 in 1979 to .51 to 1 in 1980—a 28.4% change. Given the sharp declines in both tonnage and mileage, many motor vehicle carriers found themselves with excess capacity. As a result, these carriers did not invest in new equipment in 1980. Carriers' gross operating property was virtually unchanged from 1979 to 1980; while net carrier operating property declined by 11% year-to-year. Motor vehicle carriers tend to have older equipment in comparison to any other group of carriers. The reserve for depreciation as a percentage of cost was 54% of cost for this segment in comparison to a total group D reserve of 48.8% of cost and the general freight in-

dustry composite's reserve of 46.7% of cost. As leverage decreased, debt coverage ratios improved. Cash throw to total funded debt increased by 54.9% from 52.28% in 1979 to 80.97% in 1980 and cash throw to funded debt due in one year rose to 2.8 times in 1980 from 2.2 times in 1979.

All productivity measures showed improvement in 1979. Revenue per ton-mile increased by 12.5% to 20.09 cents. Return on transportation investment also improved from 3.5% in 1979 to 9.48% in 1980. This segment's 1980 return on equity of 1.83% is the lowest of any carrier group. This level of return is not adequate to provide even a minimal dividend to the equity investor let alone cover the rising costs of new equipment.

In summary, motor vehicle carriers experienced sharp declines in tonnage, mileage and revenues and while continuing to suffer an extremely tight liquidity position, they paid down debt and improved their leverage, debt service ability and productivity. However, this group relies heavily on highly specialized owned equipment and current earnings levels are not sufficient to provide for replacement of their aging equipment fleet.

Building Materials

The 116 carriers in this segment transport materials used in building construction, including clay and stone products, lumber, and roofing materials. Structural steel and products requiring dump trucks are

not included in this division. These carriers are highly dependent on the level of residential and business construction activity.

During 1980, the escalation of mortgage interest rates and stagnation of real personal income combined to depress the housing sector. Housing starts declined by 24% on an annual basis in 1980 from 1979. Commercial construction also slowed, as investment in non-residential structures dropped 9.1% on an annual basis over the same period. Given this lower level of construction activity, this segment's total tonnage declined by 10.9% in 1980, while total mileage decreased by less than 1%. Rate increases aided in providing a 7.8% gain in gross operating revenues to \$902.9 million in 1980. This segment's operating ratio of 95.44% was unchanged year-to-year and its expense ratio deteriorated slightly, increasing from 97.26% in 1979 to 97.7% in 1980 as interest expense rose by 34%.

Building material carriers wrote off over \$13 million of intangible assets in 1980 (primarily operating authority rights). All net income figures and ratios based on net income used in this analysis are before extraordinary items such as this write-off. Net income declined to \$12.4 million in 1980 from \$23 million in 1979 due to increased interest expense and other deductions such as gains and losses on the disposition of land, struc-

tures and equipment, income from non-carrier operations and other miscellaneous income categories.

Due to reduced earnings, cash throw decreased; however, building materials carriers' working capital position improved year-to-year. This segment's current ratio increased from 1.06 to 1 in 1979 to 1.10 to 1 in 1980, and days cash operating expenses in working capital increased from 3.03 days in 1979 to 5.60 days in 1980. While most liquidity measures showed a year-to-year improvement, liquidity remains well below both the total Group D average and the general freight industry composite.

These carriers are the most highly leveraged in the special commodities group, and virtually all measures of leverage and ability to service debt deteriorated in 1980. Total funded debt increased both absolutely (up 7.5%) and proportionately to assets (39% of total assets). Building material carriers added over \$32 million to gross carrier operating property in 1980. Despite this addition, the average age of the fleet increased as the reserve for depreciation as a percentage of cost rose to 47.4% in 1980 from 44.5% in 1979 which is slightly better than the total

Group D reserve of 48.8% of cost in 1980. Funded debt to tangible net worth increased to 1.34 to 1 in 1980 which compares unfavorably with the total Group D leverage of .69 to 1 in 1980. Cash throw to funded debt due in one year declined by 10.4% from 148.81% in 1979 to 133.40% in 1980, and cash throw to total funded debt dipped 13.8% to 36.98% in 1980.

Productivity indices were mixed with some improvement in linehaul and payroll expenses to revenues and slight deterioration in average load size. Even though net income declined, this segment managed to maintain a 20.5% return on transportation investment by increasing its use of purchased transportation. Return on equity, however, declined from 18.69% in 1979 to 10.95% in 1980—a 41% drop. This is below the total Group D return on equity of 13.54%.

In summary, building material carriers experienced a rough year as construction activity slowed in response to high interest rates and a soft economy. This segment suffered declines in tonnage, mileage, and profits. Leverage and debt service ability deteriorated in 1980 as this segment increased debt and decreased

cash throw. Liquidity improved slightly but remains below the Group D average.

Other Special Commodities

This category includes 654 carriers of special commodities (representing 38% of revenues of combined Group D) which do not fit into the preceding classifications. The carriers in this division are a diverse mixture, many operating very much as specialized truckload carriers while others resemble "LTL" general freight operations. The carriers in this group tend to be small—over 80% have gross revenues under \$10 million and only 2 have revenues in excess of \$100 million.

At year-end 1980, gross revenues increased 9.1% while total tonnage declined 9.5% and total mileage dropped 3.2%. The operating ratio increased slightly from 95.62% in 1979 to 95.71% in 1980. The expense ratio deteriorated increasing to 97.31% in 1980 from 96.98% in 1979 as interest expenses jumped 28.7%. In 1980, this segment wrote off approximately \$56 million of intangible assets (primarily operating authority rights). All net income figures and ratios based on net income are before extraordinary items such as this write-off. Net income (exclusive of operating rights write-off) decreased by 9.4% year-to-year. In this group, 156 carriers reported a net loss after taxes in 1980.

Liquidity remained adequate and compared favorable with the total Group D av-

erage. Working capital increased by 10.8% from 1979 to 1980 while this segment's current ratio remained essentially unchanged at 1.24 times. Average days collection period stretched to 31.55 days in 1980 from 30.92 in 1979.

Funded debt increased slightly but leverage decreased as funded debt to tangible net worth declined to .78 to 1 in 1980 down from .85 to 1 in 1979. Cash throw to funded debt due in one year dropped to 1.9 times in 1980 from 2.1 times in 1979 as a larger portion of total funded debt moved to the under one year category. Cash throw to total funded debt improved slightly to 52.74% in 1980 versus 52.07% in 1979.

Productivity measures either recorded improvement or remained flat and return on transportation investment remained essentially unchanged year-to-year. Due to reduced earnings, return on equity declined from 15.99% in 1979 to 14.08% in 1980.

Overall, this group outperformed the total Group D average in terms of rates of return, traffic levels and revenues. Liquidity measures paralleled the combined Group D ratios; however, the "other special commodities" carriers tended to be more highly leveraged than the total Group. Both leverage and debt service ability remain satisfactory.

Carrier Group E

This group comprised of publicly held carriers of general freight included 21 companies in 1980. The stock of seven of these companies is traded on the New York Stock Exchange, one on the American Stock Exchange and 13 on either regional exchanges or in the over-the-counter market.

Data for Group E are compiled from consolidated annual reports to stockholders and thus differ somewhat from the ICC report based data shown for the other carrier groups. Some of the companies have significant non-carrier activities¹ although for each of the firms, motor carrier revenues account for well over half of consolidated gross revenues.

Several transactions were effected during 1980 which resulted in a smaller group of 21 carriers as compared with the 23 companies in last year's analysis. Deletions include Gateway Transportation, which was acquired by Maislin Industries, a Canadian firm, Smith's Transfer which was acquired by ARA Services and Wilson Freight which is in Chapter 11 bankruptcy proceedings. Further, Spector Industries was acquired by TeleCom Corporation, a holding company whose principal subsidiary is Red Ball Motor Freight. The combined Spector Red Ball operation represented 94 percent of the total revenues of TeleCom, a publicly traded firm. As a result, TeleCom has been added to Carrier

Group E. Another addition to the list is Interstate Motor Freight System which was formerly a subsidiary of Fuqua Industries and is now a separately traded company.

As with the other carrier groups, the 21 companies are identical in 1980 and 1979 to ensure comparability of analysis.

Operating Performance

In 1980, total tonnage dropped 16.8% for Group E carriers, with truckload (TL) volume down close to 23.9% and less-than-truckload (LTL) volume down almost 6.2%. Gross revenues increased 1.9% to \$7.2 billion which was the smallest percentage increase in gross revenues in the last five years. Average revenues per carrier rose to \$341 million in 1980 from \$334 million in 1979. Operating expenses increased 2.6% year-to-year and Group E's 1980 operating ratio rose 64 basis points to 95.5%, continuing an upward trend which began in 1977. However, a number of the larger carriers in Group E succeeded in reducing their operating ratios during this period of soft traffic and rising costs. Group E's 1980 operating ratio was close to 200 basis points higher than the five year average of 93.4% for the Group but was considerably better than the composite ratio of 96.52%.

Even though total funded debt decreased by 3.3%, interest expense rose 22.7% for the group as interest rates continued to maintain their unprecedented heights during 1980 with temporary relief in the second and third quarters. Pre-tax income was negatively affected 15.7% from 1979 to 1980 primarily due to the higher interest costs and, to a lesser extent,

increased operating expenses. Since income taxes did not decrease proportionately, net after-tax income fell by 19.2% exclusive of the \$210.4 million write-off of operating authority. Net income per carrier decreased from \$9.6 million in 1979 to \$7.7 million (before operating write-offs) in 1980. If the operating authority write-off were included, Group E would have suffered a \$47.9 million loss.

Group E had another disappointing year in terms of profitability even before considering the write-off of operating authority rights. All ratios in this financial analysis are computed exclusive of operating authority write-offs.

Return on transportation investment (ROTI) of 14.1% during 1980 was a ten year historical low and return on equity (ROE) of 11.3% was the worst performance since 1975, a recession year. However, Group E's averages mask the wide range of results achieved by individual carriers in the Group: nine of the companies suffered after-tax losses totaling \$19 million (exclusive of operating authority write-offs) while four of the larger carriers improved both ROTI and ROE in 1980. Despite the decline in Group E's ROTI and ROE, this segment still outperformed the industry composite in both categories.

¹In 1980 non-carrier revenues were most significant for Arkansas Best, Consolidated Freightways and McLean which respectively were also engaged in the manufacture of furniture, heavy truck tractors and petroleum refining.

Carrier Group E

Dollar Amount in Millions

Year	1980		1979		1978		1977		1976	
Number of Carriers	21		21		23		25		30	
Income Statement										
	Total \$	%	Avg. \$	Total \$	%	Avg. \$	Total \$	%	Avg. \$	Total \$
Income & Expense Data										
Gross Revenues	7157.0	100.0	340.8	7021.0	100.0	334.3	6324.3	100.0	275.0	5408.2
Depreciation	296.1	4.1	18.9	272.9	3.9	13.0	243.8	3.9	10.6	206.9
Purchased Transportation	248.5	3.5	11.8	247.3	3.5	11.8	204.1	3.2	8.9	168.3
Total Operating Expenses	6837.4	95.5	325.6	6662.4	94.9	317.3	5860.6	92.7	254.8	4985.2
Net Carrier Operating Income	319.6	4.5	15.2	358.6	5.1	17.1	463.7	7.3	20.2	423.0
Interest Expense	79.5	1.1	3.8	64.8	0.9	3.1	48.8	0.8	2.1	35.5
Net Income Before Taxes	278.6	3.9	13.3	330.4	4.7	15.7	439.0	6.9	19.1	409.1
Income Taxes—Current	72.9	1.0	3.5	82.4	1.2	3.9	145.1	2.3	6.3	144.8
Deferred Income Taxes	43.2	0.6	2.1	47.0	0.7	2.2	49.7	0.8	2.2	41.2
Equity in Earnings of Affil										
Net Income After Taxes	162.5 ¹	2.3	7.7	201.0	2.9	9.6	244.2	3.9	10.6	223.5

Balance Sheet

Assets										
Cash	424.8	12.2	20.2	315.8	9.0	15.0	358.7	11.1	15.6	308.5
Receivables from Affiliates										
Notes & Accounts Receivable	557.5	16.0	26.5	528.0	15.0	25.2	480.0	14.9	20.9	404.8
Prepaid Expenses	133.1	3.8	6.3	133.2	3.8	6.3	128.0	4.0	5.6	104.5
Materials & Supplies	235.1	6.7	11.2	236.1	6.7	11.2	179.0	5.6	7.8	137.5
Other Current Assets	49.4	1.4	2.4	55.5	1.6	2.6	32.0	1.0	1.4	18.3
Total Current Assets	1399.9	40.1	66.7	1268.6	36.0	60.4	1177.6	36.6	51.2	973.6
Carrier Operating Property	3287.0	94.0	156.5	3104.7	88.1	147.8	2820.3	87.6	122.6	2442.3
Reserve for Depreciation	1371.3	39.2	65.3	1205.3	34.2	57.4	1092.3	33.9	47.5	1000.2
Carrier Operating Property Net	1915.7	54.8	91.2	1899.4	53.9	90.4	1728.0	53.7	75.1	1442.1
Total Tangible Property	1915.7	54.8	91.2	1899.4	53.9	90.4	1731.8	53.8	75.3	1455.2
Intangibles	23.1	0.7	1.1	224.3	6.4	10.7	217.0	6.7	9.5	188.7
Other Assets	156.2	4.5	7.4	133.7	3.8	6.4	93.1	2.9	4.0	80.4
Total Assets	3494.9	100.0	166.4	3526.0	100.0	167.9	3219.8	100.0	140.0	2697.9
Liabilities & Equity										
Payables to Affiliates										
Notes Payable	2.0	0.1	0.1				6.0	0.2	0.3	3.3
Accounts Payable	465.3	13.3	22.2	456.8	13.0	21.8	423.0	13.1	18.4	351.2
Misc. Payables & Accruals	273.0	7.8	13.0	251.8	7.1	12.0	261.3	8.1	11.4	191.1
Taxes Payable	78.7	2.3	3.7	50.1	1.4	2.4	72.5	2.3	3.1	39.3
Funded Debt Due Within One Year	68.4	2.0	3.2	65.6	1.9	3.1	54.8	1.7	2.4	40.9
Other Current Liabilities	163.3	4.7	7.8	151.9	4.3	7.2	120.1	3.7	5.2	119.1
Total Current Liabilities	1050.7	30.1	50.0	976.2	27.7	46.5	937.8	29.1	40.8	744.9
Advances Payable										
Funded Debt Due After One Year	669.6	19.2	31.9	697.6	19.8	33.2	563.2	17.5	24.5	414.5
Total Long Term Debt	669.6	19.2	31.9	697.6	19.8	33.2	563.2	17.5	24.5	414.5
Total Funded Debt	738.0	21.1	35.1	763.2	21.6	36.3	618.0	19.2	26.9	455.5
Reserves & Est Liabilities	82.7	2.4	3.9	78.1	2.2	3.7	55.8	1.7	2.4	39.3
Accum Deferred Tax Credits	249.2	7.1	11.9	217.0	6.2	10.3	200.2	6.2	8.7	170.6
Total Liabilities	2052.2	58.7	97.7	1968.9	55.8	93.8	1757.0	54.6	76.4	1369.3
Stockholder's Equity	1442.7	41.3	68.7	1557.1	44.2	74.2	1462.8	45.4	63.6	1328.7
Total Capital	2112.3	60.4	100.6	2254.7	63.9	107.4	2020.0	64.7	88.1	1743.2
Total Liabilities & Equity	3494.9	100.0	166.4	3526.0	100.0	167.9	3219.8	100.0	140.0	2697.9

Analytical Data

Operating Performance										
Gross Revenues to Equity	4.96		4.51		4.32		4.07		3.97	
Gross Revenues to Total Capital	3.39		3.11		3.12		3.10		2.93	
Gross Revenues to Net Carr Oper Prop	3.74		3.70		3.66		3.75		3.66	
Gross Revenues to Carr Oper Prop (Cost)	2.18		2.26		2.24		2.21		2.13	
Pre-Tax Income to Gross Revenues, %	3.89		4.71		6.94		7.56		7.68	
Pre-Tax Income to Total Capital, %	13.19		14.65		21.67		23.47		22.45	
After Tax Income to Gross Revenues, %	2.27		2.86		3.86		4.13		4.09	
After Tax Income to Equity, %	11.26		12.91		16.69		16.82		16.24	
Return on Transportation Investment, %	14.11		16.36		23.56		25.32		24.69	
Expense Ratio, %	96.65		95.82		93.44		92.84		92.68	
Operating Ratio, %	95.53		94.89		92.67		92.18		91.88	
Liquidity										
Cash Throw, Dollars	501.8		520.9		537.7		471.6		415.3	
Working Capital, Dollars	349.2		292.4		239.8		228.7		273.6	
Current Ratio	1.33		1.30		1.26		1.31		1.40	
Days Cash Oper Exp in Work Cap	19.49		16.70		15.58		17.47		23.18	
Average Days Collection Period	28.43		27.45		27.70		27.32		25.57	
Leverage & Debt Service										
Funded Debt to Equity	0.51		0.49		0.42		0.34		0.40	
Net Debt to Equity	0.22		0.26		0.22		0.14		0.13	
Funded Debt to Tangible Net Worth	0.52		0.57		0.50		0.40		0.46	
Cash Throw to Funded Debt Due in One Year, %	733.63		794.05		981.20		1153.06		782.95	
Cash Throw to Total Funded Debt, %	67.99		68.25		87.01		103.56		84.32	
Interest to Total Funded Debt, %	10.77		8.49		7.90		7.80		7.96	
Carrier Property (Net) to Equity	1.33		1.22		1.18		1.09		1.08	
Additional Ratios										
Receivables to Payables	1.19		1.16		1.12		1.14		1.20	
Deprec to Debt Due in One Year	4.33		4.16		4.45		5.06		3.68	
Total Tang Prop to Equity	1.33		1.22		1.18		1.10		1.09	
Pre-Tax Income to Equity, %	19.31		21.22		30.01		30.79		30.50	
Gross Revenues to Total Tang Prop	3.74		3.70		3.65		3.72		3.64	

¹Excludes write-off of operating authority which amounted to \$210.4 million.

Note: Numbers may not add due to rounding.

Liquidity

Liquidity for the Group continued to be satisfactory and compared favorably with the industry composite in spite of substantially reduced earnings in 1980. Due to the poor earnings performance, cash throw showed a marginal decline of 3.7% and average days collection period for notes and accounts receivable extended to 28.43 days. All other Group E liquidity ratios showed marginal to significant increases over 1979. The Group's current ratio increased to 1.33 to 1 from 1.30 to 1 in 1979. Days' cash operating expenses in working capital increased by 16.7% to 19.5 days; working capital increased by 19.5% and cash grew by \$109 million, a 34.5% increase, comprising 12.2% of total assets in 1980 versus 9% in 1979. Here again, the Group's aggregate numbers did not accurately reflect the position of most carriers in Group E. The two largest Group E carriers held 76% of the Group's total cash and 60% of the Group's working capital. After eliminating these two carriers from the total, the Group's cash balances actually remained flat year-to-year; however, working capital increased 16.7% and days cash operating expenses in working capital for the remaining 19 carriers would have been 12.61 days in 1980 up from 11.24 days in 1979 reflecting a satisfactory liquidity position which, in many cases, has resulted from improved cash management techniques.

Leverage and Debt Service

Group E carriers added little new equipment to their fleets due to industry overcapacity in 1980. Although Group E did

not replace its equipment as quickly this year (reserve for depreciation was 41.7% of cost in 1980 versus 38.8% in 1979), it still maintained a newer fleet than that of the industry composite whose reserve for depreciation was 46.7% of cost in 1980.

Group E's funded debt to equity ratio increased slightly in 1980 to 51% from 49% due to the decrease in equity caused by the write-off of operating authority rather than an increase in debt. In a recession, motor carriers tend to pay down debt. In 1980, Group E's funded debt decreased \$25.2 million (3.3%) while stockholders' equity decreased \$114 million (7.3%). Funded debt to tangible net worth is a more accurate portrayal of the carriers' debt to equity position as this ratio eliminates intangibles from stockholders' equity. As funded debt decreased in 1980, this ratio declined 8.8%. Net debt to equity, which excludes current maturities and working capital from total funded debt, decreased 15.4% year-to-year as a 19.5% increase in working capital more than offset the 7.3% decline in equity.

Cash throw to funded debt due in one year represented coverage of 7.34 times in 1980, a 7.6% decrease from the prior year. Annual depreciation covered current maturities of funded debt over four times. If cash throw were applied to total funded debt, it would take Group E slightly less than a year and a half to be out of debt.

In summary, while the publicly-held carriers of Group E had reduced profitability in 1980, their liquidity and leverage showed a strong financial base. This group continued to outperform and to be better capitalized than the industry's general freight composite.

CARRIER GROUP E PUBLICLY HELD GENERAL FREIGHT CARRIERS

1. Arkansas Best Corporation
2. Branch Industries, Inc.
3. Briggs Transportation Company
4. Carolina Freight Carriers Corporation
5. Consolidated Freightways, Inc.
6. Cooper-Jarrett, Inc.
7. Eazor Express, Inc.
8. Interstate Motor Freight System
9. McLean Trucking Company
10. Mid-American Lines, Inc.
11. Murphy Motor Freight Lines, Inc.
12. New Penn Motor Express, Inc.
13. Overnite Transportation Company
14. Penn Yan Express, Inc.
15. Preston Trucking Co., Inc.
16. Roadway Express, Inc.
17. T.I.M.E.-DC, Inc.
18. TeleCom Corporation
19. Transcon Lines
20. U.S. Truck Lines, Inc. of Delaware
21. Yellow Freight System, Inc.

Security Analyst Appraisal for the 1981 Financial Analysis of the Motor Carrier Industry





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Price Movement

For the first time since 1976, trucking stocks have turned in a relatively favorable market performance for the first nine months of 1981, even though the industry is continuing to adjust to the effects of lessening regulation while struggling with disappointing traffic levels in a sluggish economic environment. As stated in the 1980 Security Analyst Appraisal "... stock price performance is based more on the anticipated changes in a company's (and industry's) fortunes ... than on what is already history." I believe that the relative price action of trucking stocks in recent years has partly reflected investors' concern about the industry's ability to adjust to what were then unknown, but expected, changes in the regulatory framework. More recent stock-price action indicates, in my opinion, that investors expect the better-situated, well-

managed carriers to adjust to and to prosper in the regulatory environment created by passage of the Motor Carrier Act of 1980. I share that belief.

As measured by Standard & Poor's Truck Stock Index (comprising Consolidated Freightways, McLean Trucking, Roadway Express, and Yellow Freight) the group declined by 35.6% from the end of 1976 through the end of 1980 while the market, as measured by Standard & Poor's 500 Stock Index, advanced by 26.3%. For the first nine months of 1981, the S&P Trucking Index was up 14.8%, and the S&P 500 was off by 14.4%. Table 1 shows yearly changes in the S&P Truck Index and in the 500 Stock Index since 1975; Chart 1 indicates price movements and the relative strength of the Truck Stock Index in relation to its 75-week moving average.

TABLE 1
Price Changes S&P 500 and Truck Index

Date	S&P 500	Annual % Chg.	S&P Truck	Annual % Chg.
12/31/75	90.19	—	108.06	—
12/31/76	107.46	+ 19.1%	129.96	+ 20.3%
12/31/77	95.10	- 11.5	95.69	- 26.4
12/31/78	96.11	+ 1.1	73.31	- 23.4
12/31/79	107.94	+ 12.3	73.39	+ 0.1
12/31/80	135.76	+ 25.8	83.66	+ 14.0
9/30/81	116.18	- 14.4*	96.05	+ 14.8*

*—Nine Month percent change from 12/31/80 to 9/30/81

CHART 1
Price Movements and Relative Strength of Truck Stock Index



Regulation & Legislation

Because regulation is such an important aspect of the trucking industry and because significant changes in regulation have altered the operating methods of most trucking companies, I believe that a review of regulatory reforms is in order before discussing the current position of the industry and its outlook.

Before the July 1 enactment of the Motor Carrier Act of 1980, the Interstate Commerce Commission (I.C.C.) had attempted to encourage the trucking industry to set rates individually instead of collectively by means of rate bureaus. In addition, the I.C.C.'s decisions on route authority had become more liberal in 1979 and 1980 than had been the case in previous years. Passage of the Motor Carrier

Act of 1980 instituted legal changes that created a more competitive pricing environment and eased requirements for entering the industry. Many of the regulated trucking companies believe that a number of I.C.C.'s interpretations of the law have exceeded the intent of Congress and have resulted in further deregulation of the industry. The industry seems to be encouraged that recent changes within the

I.C.C., including the appointment of a new chairman, will result in future decisions that, while implementing the law, will be less likely to promote wider deregulation.

Following are highlights of changes brought about by the Motor Carrier Act of 1980:

Entry—Eased certification requirements by emphasizing the fit, willing, and able test, but also required applicants to prove that the new service will be useful. Gave protesters the opportunity to block an application if they could prove that the new service would be inconsistent with public convenience and necessity.

Operating Rights and Restrictions—Directed the I.C.C. to eliminate within 180 days gateway restrictions and circuitous limitations and to expedite processing of applications for removal of operating-rights restrictions on commodities to be handled, service to intermediate points, round-trip authority, and territorial limitations.

Exemptions—Expanded the agricultural regulatory exemption to include livestock, and poultry feed, agricultural seeds, and plants used for agricultural purposes.

Contract Carriage—Eased entry into the field and permitted service to more shippers by eliminating the "Rule of 8," but required that contract carriage still be performed for the exclusive use and/or distinct needs of the shipper in each instance.

Carrier Rate Freedom—Gave carriers freedom to set rates within a zone of 10%, either above or below the prevailing rate, and gave the I.C.C. authority to broaden the zone by another 5% under certain conditions. (General rate increases of 5% are not to be counted as part of the 10%

zone for the first two years.) Rates set within the zone are subject to antitrust laws, and the I.C.C. is allowed to suspend and investigate any rates that appear to be excessive. After two years, rates can rise as much as the yearly rise in the Government's index for producer prices of finished goods.

Rate of Ratemaking—Authorized rate levels adequate to cover costs and to provide a reasonable profit, taking into account foreseeable future costs.

Rate Bureaus—Set specific limitations and requirements for discussions and voting by rate bureaus. Abolishes on January 1, 1984, the antitrust immunity applicable to single-line rates (70% of the total), but creates a study commission that is to determine the need for the rate-making antitrust immunity and to report its findings to Congress by January 1, 1983.

The eased requirements for entry into the industry put into question the value of previously purchased operating rights, which were carried as intangible assets on the companies' balance sheets. In December 1980, the Financial Accounting Standards Board directed trucking companies to write off the carrying value of those rights, estimated at \$800 million for the industry. The write-off was shown as an extraordinary deduction to pretax income for financial reporting purposes. A successful lobbying effort by the industry resulted in the inclusion in the Economic Recovery Tax Act of 1981 of a provision approving the write-off of operating authority against income for tax purposes. Therefore, most motor carriers that wrote off their operating authority on a pretax basis in 1980 will include a credit for the tax benefit of the write-off in 1981 financial reports. A negative effect of the write-off of operating authority is that the balance sheets of a number of trucking companies have been

weakened; and, in some instances, loan covenants have been violated. Certain marginal carriers, already squeezed by high interest rates, are now likely to find it even harder to acquire new capital.

The Economic Recovery Tax Act of 1981 also contained provisions that will result in other tax benefits for the trucking industry. In particular, the depreciation life of equipment is reduced to three years from five years for tractors and to five years from eight years for trailers. In addition, the investment tax credit is increased to 6% for three year assets and to 10% for five year assets. Although the shorter depreciation life for equipment will affect the companies tax books rather than reported earnings, the industry's cash flow will be improved.

In addition to the Motor Carrier Act, the Multi-Employer Pension Plan Amendments Act, which creates concern for the trucking industry, was passed in 1980. While the Motor Carrier Act eases entry into the trucking industry, the Multi-Employer Act complicates its business decisions by making it difficult to cease business, to buy or sell or to cut back operations. Essentially, under the Multi-Employer Act, an employer may be liable for a share of the total unfunded vested benefit obligations of the plan, both those attributable to his employees and those which are not. This occurs either when a plan terminates or when an employer withdraws. He may withdraw by ceasing business or by selling or reducing operations. This liability for employee benefits may even exceed a company's net worth. Should a number of trucking companies in a Teamster fund fail, the possibility also exists that any unfunded pension liabilities could become an obligation of the remaining carriers. I use the phrases "may be liable" and "the possibility exists" because the law is controversial, and has yet to be tested in court. I believe that the

trucking industry and other industries that are affected will promote legislation to amend the act.

Gradual progress continues to be made in the industry's struggle for uniform weight and size laws. In March 1981, the U.S. Supreme Court ruled that Iowa's ban on 65-foot twin-trailer combinations is unconstitutional and that it unfairly limits interstate commerce. Although 17 states east of the Mississippi River continue to ban 65-foot twin-trailers, some states are considering legislation to increase the legal length. Armed with the Iowa decision, the industry is also in a stronger position to challenge nonconforming states on an individual basis. So far this year, five states have increased their weight limits on trucks. Although only two states still have laws limiting truck weight to less than the 80,000-pound federal limit, those states are in mid-America and form a barrier to efficient coast-to-coast carrier operations.

A third state, also along the Mississippi River, is subject to a recall petition on 80,000 pound legislation enacted and signed this year. The trucking industry has stated that a 65-foot twin-trailer has 23% more cubic freight capacity than a 55-to-60 foot tractor-trailer combination and that about 128-million gallons of fuel would be saved annually if all states allowed the 80,000-pound Federal weight limit and the use of 65-foot twin trailers. I believe that the industry will achieve its goal of uniform weight and size laws in the not too distant future. On the other hand, the trucking industry can be expected to pay increased highway user charges as the cost of maintaining the nation's Interstate Highway System continues to escalate.

Traffic Trends

Truck traffic began to be affected by weakening economic conditions in

mid-1979. Traffic levels early in 1979 were distorted because shippers were building inventories in expectation of the trucking strike that occurred in April. Nevertheless, traffic definitely declined from the middle of that year until late in 1980. Although traffic seems to have stabilized this year, no real uptrend has yet materialized (see Table 2 Monthly Trucking Tonnage). Historically, the decline in truckload traffic (TL-shipments of 10,000 pounds or more) during periods of depressed economic activity has been more severe than the decline in less-than-truckload traffic (LTL-shipments of less than 10,000 pounds). That pattern has been repeated during the latest economic slowdown, but the decline in TL traffic has been greater than would usually be expected. For example, TL traffic in 1980 declined 21.7% compared with 1979 levels while LTL traffic was off 7.3% for the same period. In comparison, the 1974 to

TABLE 2
Monthly Trucking Tonnage
1967 = 100

	1976	1977	1978	1979	1980	1981
January	145.3	160.1	164.3	192.9	163.5	153.1
February	147.7	162.8	174.2	198.9	156.7	151.9
March	149.3	162.5	176.1	202.3	157.5	150.8
April	148.3	166.5	192.0	145.0*	150.5	153.2
May	152.7	164.5	181.9	187.6	141.7	152.2
June	152.6	166.2	180.3	186.7	140.4	151.9
July	155.7	168.1	178.0	186.3	136.0	153.7
August	155.3	168.5	182.6	175.7	141.4	148.5
September	156.2	168.2	183.5	174.8	146.6	145.3r
October	154.2	166.8	189.0	172.9	147.4	138.1p
November	155.9	166.4	187.3	171.5	150.9	
December	156.1	170.5	190.6	169.2	153.0	

*—Affected by strike

p—Preliminary

r—Revised

SOURCE—American Trucking Associations

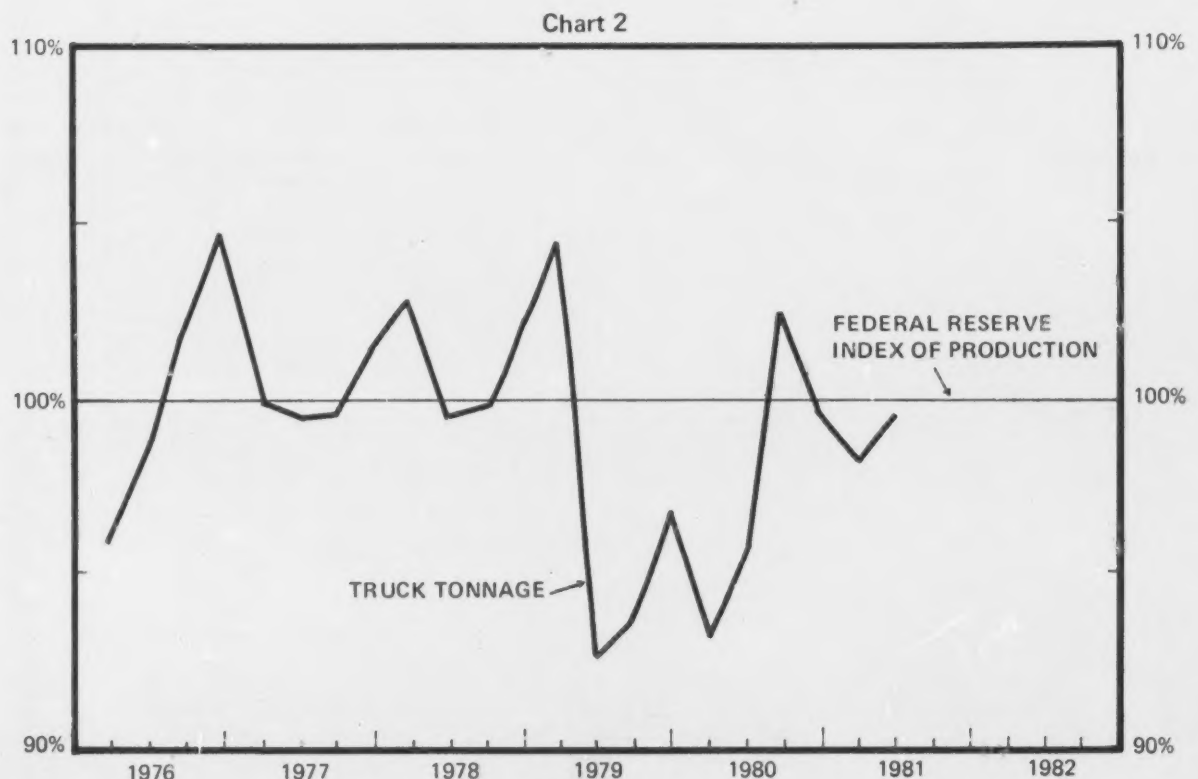
1975 traffic decline showed a drop of 17.3% for TL tonnage while LTL freight was off 12.1%. I believe that the larger differential in 1980 was primarily attributable to changes in industry entry requirements, which the I.C.C. eased on its own and which were later clarified in the Motor Carrier Act of 1980. Also contributing to the differential in traffic, in my opinion, was the discrepancy in the fuel surcharge, which reached a high of 19% in March 1981 on TL traffic compared with a high of 3.3% in February 1981 on LTL traffic. The fuel surcharge has been a matter of controversy since it was first instituted in June

1979, and in October 1981, the I.C.C. modified the program.

In my opinion, the relative ease of entry into the TL segment of the industry and increasing competition from private carriers will have a lasting effect on the level and profitability of TL shipments. On the other hand, I expect few new companies to attempt to enter the LTL segment because of the greater capital requirements and complexity of that business. Motor carriers now in the LTL business, however, have been using the new freedom of entry to add to their operating authorities. As a result, the major LTL carriers are

going head-to-head in more areas and are competing for the same traffic. In an effort to regain some of the lost TL traffic and to maintain a better system balance, a number of regulated common carrier truckers have expanded operations to include contract carriage and specialized commodity hauling. This is a trend that I believe is likely to continue.

As Chart 2 shows, the Federal Reserve Board Index of Production closely parallels truck tonnage. On the assumption that the economy will recover somewhat in 1982, I expect an improving trend in industry traffic. As previously stated, how-



ever, I think that some truckload traffic has been permanently lost to private carriage as a result of recent regulatory changes.

Another change that is affecting truck traffic is the lessening of regulation in the railroad industry. The Staggers Rail Act of 1980 gave the railroads more rate freedom, and the I.C.C. has completely deregulated certain railroad piggyback (trailer on flat car) rates. The discounting of certain railroad rates indicates, I believe, the rail industry's effort to regain some of the traffic that has been lost to the trucking industry over the years. The ability of the trucking industry to provide superior service will continue to be an important element in maintaining its market share. On the other hand, I believe that the change in the cost structure of certain freight movements is likely to prompt the trucking industry to make greater use of piggyback movements.

Rates

Discounting of rates has become prevalent as the trucking industry responded to increased competition, depressed traffic levels, and greater individual ratemaking ability. Discounting plans vary from across-the-board rate reductions to discounts based on the size and class of a shipment or on the number of shipments to be picked-up at a single location. Other plans stress service. If a promised delivery date cannot be met, the regular rate is discounted; the later the delivery, the larger the discount. Another plan offers an introductory discount to new customers of a carrier opening a new service territory. Some major truckers have been trying to avoid general discount programs and have reduced rates only to meet competition on a selected basis, or when a lower rate could be justified by lower costs. In my opinion, rate discounting is likely to continue well into 1982, even if traffic

trends improve. At present, the amount of excess capacity (parked tractors and trailers), in the industry is sizable. Until that capacity is utilized, I believe that carriers will continue to offer rate concessions. One effect of the discounting plans is that in one way or another shippers are receiving lower rates or improved service. Nevertheless, the combination of depressed traffic and discounted rates is putting severe pressure on the margins of high cost operators, and a number of companies are being squeezed out of the trucking industry. As a result, I believe that the stronger, better-situated truckers are in a position to expand their market shares and should be in a favorable position when traffic recovers and conditions in the industry stabilize.

Despite rate discounting, the industry's rate bureaus have received approval from the I.C.C. on most requests for rate hikes to offset higher labor costs and cost increases caused by inflation, except for fuel, which has been handled by the fuel surcharge. The rate increases affect what can be called the "list price" that a trucker charges a shipper; the various discounts are offered from the list price. In my opinion, the trucking industry will continue to use its rate bureaus to request rate relief for inflationary cost increases in the near future. Under the 1980 legislation, however, the rate bureau process is to be abolished on January 1, 1984.

I briefly mentioned in my discussion of traffic that the fuel surcharges, which began in June 1979, have been a matter of constant controversy. With the price of fuel rising rapidly, the I.C.C. devised the surcharge as a way of enabling the trucking industry to recover fuel-cost increases promptly. The I.C.C. has been determining the average fuel cost on TL and LTL shipments on a weekly basis, and the al-

lowable surcharge has been adjusted as fuel costs have changed. Because of widespread dissatisfaction with the fuel surcharge, the I.C.C. modified the program in October 1981. Under the new rules, regulated carriers will pay the fuel costs of owner operators on a mileage basis rather than a revenue basis.

Labor*

Labor, consuming over 60% of the average regulated trucking company's revenue dollar, is the most important cost in the motor carrier industry. Most publicly held trucking companies are unionized and operate under a National Master Freight Agreement with the International Brotherhood of Teamsters. When the present labor contract, which expires on March 31, 1982, was being negotiated in 1979, a dispute over wage and fringe benefits led to a 10-day strike. Negotiations for the 1982 contract are scheduled to begin in December. As a result of depressed industry conditions the Teamsters agreed with a management request to begin bargaining at an early date. If an agreement can be reached, it could be possible for a new national labor contract to take effect before the current contract expires next March 31. Significant changes in labor and management relations will have to be considered, in my opinion, to assure the health of the industry and the union.

*Due to the sensitivity of current labor negotiations, this section was edited by the Association.

Profitability

As would be expected, the profitability of the trucking industry has suffered from depressed traffic levels and adjustments to regulatory changes since 1979. Table 3 shows the operating ratio (operating expenses over operating revenues) during

the last decade for the motor carriers of general freight and for the publicly held trucking companies. I chose to include the table to indicate the sharp increase in the operating ratio in 1979 and 1980 and the consistently superior operating ratio of the publicly held carriers in comparison with the industry in general. Important to note is that the figures are averages and that the operating ratio for many truckers is higher than the 96% plus of the last two years. Furthermore, high interest rates have put an additional squeeze on profits. The result has been termination of operations or bankruptcy for a number of carriers. Department of Transportation figures indicate that 392 trucking firms, including exempt carriers and owner operators,

filed for bankruptcy during 1980, a 105% increase from the number in 1979. Although I believe that some recovery in the economy will enable the industry to show some operating improvement and profit gains in 1982, I expect further consolidation in the industry. I also expect operating ratios of the surviving carriers to remain at relatively high levels.

Summary

Perhaps the best summation of the outlook for the trucking industry is in the phrase, "survival of the fittest."

Legislation has created a more competitive environment by easing entry requirements and by increasing rate freedom in the industry. The sluggish economy has reduced traffic levels and created a surplus of equipment. Those developments in turn have caused trucking companies to discount rates in an effort to create business and to gain market share. A number of trucking companies have been forced to close their doors, others are in financial difficulties, and further consolidation of the industry appears to be likely. Although an economic recovery would improve the industry's profit potential, I believe that the excess capacity must be eliminated before discounting of rates will abate. For the longer term, however, I believe that the financially strong, well-situated trucking companies can expand their share of the market and that these companies will prosper and prove to be rewarding investments.

TABLE 3
Operating Ratios

Year	Total Class I*	Total General Freight	Total Publicly Held General Freight
1971	n/a	93.15	91.17
1972	n/a	93.62	91.81
1973	n/a	94.60	92.37
1974	94.87	94.36	92.54
1975	95.22	95.08	93.46
1976	94.53	94.48	91.88
1977	94.66	94.26	92.18
1978	94.63	94.23	92.67
1979	96.37	96.53	94.89
1980	96.24	96.44	95.53

*—Carriers with annual revenues in excess of \$3 million prior to 1980 and in excess of \$5 million in 1980.

n/a—Data not available

SOURCE—American Trucking Associations



1981 Financial Analysis of the Motor Carrier Industry for 1980 is sponsored by Union Oil Company, Union 76 Division.



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